

JUNE 5
1937

BUSINESS WEEK

BUSINESS
INDICATOR



WATCH LONDON — In the undercover deliberations of the Imperial Conference lies the destiny of world trade.

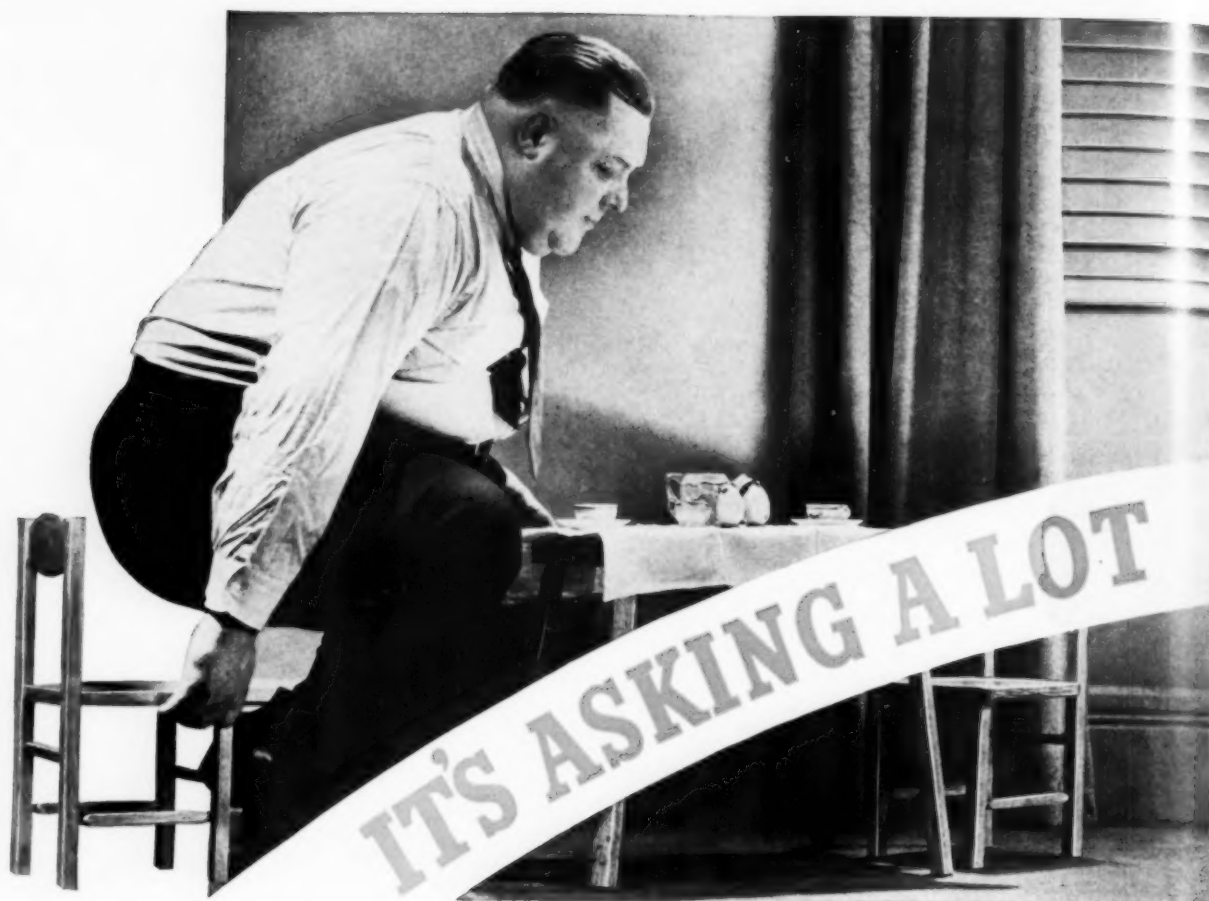
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● Yes, sir—and it's asking a lot of ordinary ferrous pipe and sheets when they are used under conditions of severe service. Where corrosion shortens the life expectancy of ferrous metals, the best insurance that you can buy is a more adequate material—Toncan Copper Molybdenum Iron—the low-cost iron alloy that is produced primarily to resist rust and to reduce its parasitic attack on profits. Write for details.



HIGHEST RUST-RESISTANCE
IN ITS PRICE CLASS

Republic Steel
Corporation

GENERAL OFFICES . . . CLEVELAND, OHIO

Toncan Iron is available through distributors in pipe and sheets and may be had in bars, plates, roofing, siding, tubing, boiler tubes, bolts, nuts, rivets, wire, welding rod, ground rods and corrugated culverts. For ordinary service, these Republic products may be had in steel or copper-bearing steel.

When writing Republic Steel Corporation for further information, please address Department BW

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by McGraw-

New Business

THIS summer, surely, and this month, probably, will mark the inauguration of air service to Bermuda. Hornet-motored Sikorskys will carry the flags of the United States and the Pan American Airways; Pegasus-motored Shorts will carry the flags of Great Britain and the Imperial Airways. Each will vie with other on alternate trips, giving the public a swell chance to compare two grand flying services in action. Operating speed of both lines on the 780-mile over-water jump will be about 145-150 miles per hour.

LATEST convert to trade-inism is A. G. Spalding & Bros., with offers of liberal trade-in allowances for old golf clubs. Offers are strictly confined to purchases of the Robert Jones line.

IN far too many communities, two banks scarcely scratch out livings for their officers and employees where one bank could provide prosperity for all concerned. National Association of Supervisors of State Banks launches a nationwide survey to determine possibilities of bank consolidation and even migration to more prosperous communities. Federal Deposit Insurance Corp. gives the project its blessing.

COME June 12, and Commercial Credit Co., Baltimore, will round out 25 years of eminent service to American industry. Measured in dollars, its success story includes capital growth from \$300,000 in 1912 to \$60,000,000 in 1937; annual volume growth from \$2,000,000 to \$789,000,000.

MEASURED in latex, and in an entirely different line, the success story of Colord, Inc., Detroit, specialist in rubber coatings and adhesives, includes a growth from one small bucket of rubber sap in 1932 to 19 tank cars of the same material in 1936. Current business indicates that 1937 may double the latter figure.

TWO outstanding industrial movies emerge from their previews with encomiums from all previewers: (1) "The Inside Story," an educational film with little direct advertising which shows essential machine elements in operation and makes clear the vital

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New York's First Bank
Founded in
1784



New York Clearing House
Membership
No. 1

A \$170,000 Oversight

The right to convert New York Central debenture 6s, 1944, into common stock at \$40 per share—a price below the actual market—expired on May 10. On that day, the bonds were selling at approximately 116. On the following day, after this conversion privilege had expired, the bonds sold some 10 points lower, as was to be expected.

Holders of \$1,700,000 of the bonds failed to protect themselves against this loss, which they could have done by direct conversion or by sale in the open market. Thus they suffered an aggregate loss of about \$170,000 in market value.

Custodian clients of this Bank who held this issue were automatically notified and instructed as to this situation and protected against needless loss. The loss to a holder of five bonds who failed to act would have covered the necessary fee for Custodian Service on approximately \$250,000 of securities for a period of 2 years.

Under Custodian arrangements, this Bank watches for conversion rights, redemptions, exchanges, maturities and similar matters and notifies clients of the need for action. The service also includes the collection of income and the performance of other routine duties.

This bank is now administering trust accounts whose makers or beneficiaries are located in 39 States and 14 foreign countries.

BANK OF NEW YORK & TRUST COMPANY

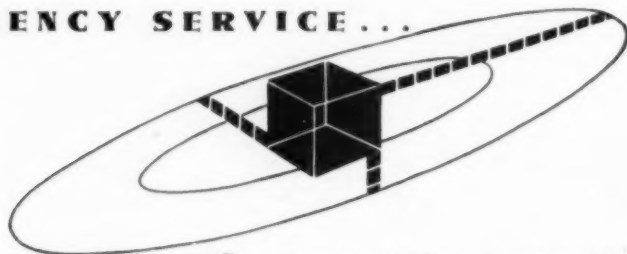
48 Wall Street · New York

UPTOWN OFFICE: MADISON AVENUE AT 63RD STREET

Copyright 1937—Bank of N. Y. & Trust Co.

Presenting... A

NEW DIMENSION IN ADVERTISING AGENCY SERVICE...



Something has happened to advertising agencies—that is, to *some* advertising agencies! Call it a new dimension in agency service. Call it the logical development in answer to a vigorous present-day need of you advertisers . . . Call it what you will! . . . But however it's designated, the fact is that now you can retain the intensive, personalized services of the moderate-sized agency, with the knowledge that that agency not only competently provides the required agency functions, but gives you as well a broad national viewpoint, with local contacts in the nation's most important marketing areas. But *only* if that agency is a member of the Continental Agency Network! Briefly, C.A.N. is a close association of ten independent, nationally recognized advertising agencies under which each agency acts as regional office for each other . . . Do you see what this can mean to you? It means that, through the one organization you appoint as your agency, you can call on the services of two, five or nine other agencies acting for you over the breadth of the country. For spot service—immediately. For authentic information—from an unbiased point of view. And always at moderate cost . . . Is it working? It is! It is a very real and practical service being successfully utilized by the clients of member agencies! But let Headquarters mail you the brochure that tells the story in more detail. Headquarters is listed below.

SEE HOW C.A.N. WORKS!—(Case #43): *A manufacturer of electric fans was anxious to discover ways to eliminate the usual nine months sales inactivity. He referred the problem to his C.A.N. agency—who, in turn, sought the advice of all C.A.N. members. As a result, the pooled recommendations of ten agencies resulted in a practical solution which took into account all local considerations by seasons in all geographical areas. That is C.A.N. service!*

These Nationally Recognized Advertising Agencies Are Members

CHICAGO
The Fensholt Co.

LOS ANGELES
Don B. Mavor Company

MILWAUKEE
Scott-Tolander, Inc.

NEW YORK CITY
LeFlore & Austin, Inc.

PHILADELPHIA (Headquarters)
John Fallner Arndt & Co., Inc.

PITTSBURGH
Walker & Downing

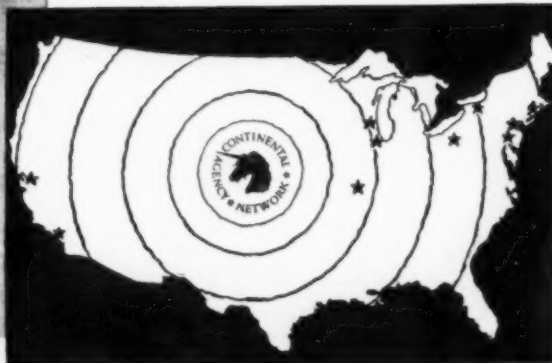
PROVIDENCE
Lorch-Horton Company

ROCHESTER
Hughes, Wolff & Company, Inc.

ST. LOUIS
Anfanger Advertising Agency, Inc.

SAN FRANCISCO
Brewer-Weeks Company

CONTINENTAL AGENCY Network



necessity of correct lubrication. Caraval Films, Inc., produced it for Socony-Vacuum Oil Co. (2) "Bridging a Century," an almost day-to-day pictorial record of the building of the Golden Gate Bridge plus a brief summary of bridge evolution throughout the past century. Pathescope Co. of America produced it for John A. Roebling Sons Co. First releases will be made to engineering societies and organizations genuinely interested in the fine points of modern bridge and cable technique.

ONE of the pilots of an Eastern airline got a surprise the other day, according to the story told in the current issue of *Aviation*. He was booming along in his Douglas, at 5,000 feet, when he noticed something buzzing merrily along beside him. It was a pilotless gasoline-driven model airplane. The pilot must be thinking more or less serious thoughts of technological unemployment about now.

"MORE and more executives are realizing that organizing, procuring, and supervising insurance and related matters require a knowledge and skill which they have not had the opportunity to acquire," said Ernest Meyer, treasurer Robert Gair Co., in his address before the 8th annual insurance conference of American Management Association. "The conclusion, therefore, seems inescapable that responsibility for insurance should be concentrated in one person or a department, where possible, under the supervision of someone who can give it all his time and attention. . . . It is important that management have a definite policy with respect to insurance."

DUBUQUE, Iowa, proclaims "a \$1,000,000 a year dividend." Stripped of all advertising, Dubuque Chamber of Commerce has succeeded in corraling seven new enterprises during the past year which will provide 830 jobs and \$1,000,000 in new money annually for Dubuquers. Industries represent a commendable variety: furniture, batteries, corrugated boxes, rolled zinc, rock wool, mirrors.

CERTAIN European cooperatives operate by a formula which gives their employees higher wages, shorter hours, and better working conditions than comparative workers in profit business. By an overwhelming vote, the 600 members of Consumers Cooperative Services, New York, instruct their board of directors to negotiate a contract with Cafeteria Workers Union, No. 302, which will fix wages in their ten cooperative cafeterias at 10% above the hourly rate paid by an average of the ten best contracts the union has with competitors.

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Washington Bulletin

WASHINGTON (*Business Week Bureau*)—With adjournment of the Supreme Court, the court bill also goes on ice, probably for the summer, but its nuisance value will be preserved while the President pushes his legislative program. How far that will get this session—or next, for that matter—depends on how far Congress will go along with him. Forcing him to a hard-fought compromise on relief, taking the conduct of the tax evasion inquiry into its own hands, and overriding him on the bill extending veterans' term insurance do not augur well for ready compliance now that the President has decided to go ahead.

Tax Evasion Sidelights

The crackdown on rich tax-dodgers is calculated to provide popular diversion, but it has implications which even stop-gap legislation is likely to emphasize. As an alibi for the weakness of the undistributed corporation profits tax, the President's proposal is a practical admission that thoroughgoing tax revision will have to be put on a broader base. It also raises the embarrassing question why the Administration doesn't pick on tax-exempt bonds and state and community tax laws to tap a large source of sequestered revenue. Critical comment on the moral issue which the President attaches to tax evasion is that taxpayers interpret the tax law as the President interprets the Constitution.

Feeding Rebellion Fires

Congressional independence will be fostered by the result of the relief bill battle in the House. The Administration got its \$1,500,000,000 without specific earmarking, but the victory was obtained at heavy cost. Reprieve of PWA in the face of the President's recent philippic against the producer goods industries, is more than a nominal concession; it gives new life to municipal requests for grants aggregating \$132,000,000 that had been dormant since PWA aid was limited to cover the cost of relief labor only. And if one group can reverse the President's policies, others will try.

Seek Specific Standards

Enactment of the wage-hour bill this session should be expected, but there's wide difference of opinion on the extent of probable modification. Strangely enough, apart from the question of the Mason-Dixon wage differential, the principal objection seems to be that the bill to set up labor standards permits too much flexibility. If Congress persists in that notion the Administration may get a much tighter law than it likes.

CO-OP VS. CO-OP

Due apparently to the antagonism of farm marketing co-operatives, Congress has refused to grant funds to the Bureau of Agricultural Economics for a study of the possible effect of consumer buying co-op operations on farm income and prices. The farm co-ops are prone to regard the consumer co-ops in the same light as they do chain stores. Sec. Wallace's marketing experts concede that consumer co-ops might develop into another agency that would exert strong bargaining power on producers but they prefer to look at the possibility of a synchronized system of mutual benefit.

No Incorporations of Unions

Any belief that the wage-hour bill is a premeditated step towards legislation to establish the responsibility of labor unions has no foundation in fact. The drafters of the measure had no such intention. Government discipline of labor organizations may come but not at least for another year or two. This means until labor's legal right to recognition exists in fact. And the chances are it will be preceded by further legislation for control of industry.

Small Chance for Substitute

The Administration doesn't regard seriously a move on foot among opponents of the wage-hour bill, who are now trying to drum up support for an alternative measure to accomplish the same objectives through licensing of employers by the Federal Trade Commission, coupled with provisions for the licensing of labor unions on condition that they refrain from enrolling members by intimidation, from violating property rights, striking in violation of existing agreements, or using physical force or coercion in connection with any strike.

Much Ado About Error

Scrutiny of the wage-hour bill invariably fastens on the provision that

two members of the 5-man board shall constitute a quorum. Baffled by anti-New Dealers as further evidence of intent to set up a dictatorship over industry, this typographical error has caused much ado. The original proposal was to vest administration in a 3-man board.

Gold Price Will Stick

While the Treasury does not say there will be no reduction in the price of gold, assurances given to Western Senators are tantamount to such a declaration. In response to a flood of letters from anxious constituents in states where gold mining contributes importantly to local prosperity, Treasury officials recite the difficulties that would follow currency revaluation. Officials likewise profess to see nothing unnatural in the accumulation of gold in this country and express confidence that a better distribution of gold will not be long delayed if world recovery continues at the pace set during the past year. Inferences that no marking down of the price need be anticipated are sufficiently strong that gold-state Senators are advising constituents to act on the assumption that the \$35 price will stand indefinitely.

Ever Normal Granary Wanes

Chances are steadily diminishing for new crop control legislation. Considering the differences over the Farm Bureau's recommendations and the tremendous lack of interest by dirt farmers, many committee members on both sides of the Capitol believe it will be better to ride along with the existing soil conservation program for the present. There is strong objection in Congress to another attempt to establish rigid control over acreage planted and over the amounts of farm products that may be marketed. Many think the ever-normal granary plan is impractical and there is no chance of winning approval for the proposal that tariff rates be allowed to fluctuate with prices. Best commentary on prospects is that neither committee chairman has seen fit to introduce the bill even on a "by-request" basis.

Bargain Days Are Over

By consenting to review the PWA power loan test case, the Supreme Court has promised the New Deal either to break or make permanent the legal tangle that has tied up 56 municipal power project allotments. But, as Sen. Norris pointed out, the utilities will win even if they lose, for materials and labor costs are climbing rapidly and costs figured during depression must be radically revised before contracts can be awarded. Even though federal funds have been held intact and are still available at the

DO YOU HAVE SIMILAR PROBLEMS?



"Presses are not the only place
where..."

Houghton Research and Houghton Products Cut Industrial Production Costs . . .

- Too many man-hours went for lubrication; oil bills for the heavy shears, punch and forming presses became unreasonable; so a farm equipment manufacturer recently called in the Houghton Man . . .
- Outstanding savings resulted: 20% on lubricants* — 58% savings in labor!
- And such savings, not only in oils, but in processing and production, are typical. Houghton's unique tie-in with well-nigh the whole of industry enables us to co-operate successfully and make important contributions to the fields of metal working, lubrication, power transmission, and textile processing.
- The Houghton Research Staff is prepared to serve you also, *without cost*, if you'll write and present your problems.

* Houghton STA-PUT LUBRICANTS were chosen, after exhaustive, comparative tests.

HOUGHTON PRODUCTS

Lubricants Carburetors Cleaners
Quenching Oils Heat Treating Salts
Cutting Oils
VIM-TRED Leather Belting, VIM Packing . . .
Textile processing oils for Silk, Rayon,
Cotton, Wool.

E. F. HOUGHTON & CO.

Chicago • PHILADELPHIA • Detroit

old liberal terms, municipal ownership will be less of a bargain than was anticipated.

No Short Cuts

Just to show that their heads are unbowed, the High Court Justices refused to lend a helping hand to the Administration in two other utility cases: the Electric Bond & Share challenge to the Holding Company Act, upon which both sides had requested an immediate review, and TVA's request to dismiss the suit brought by 17 Southeastern utility companies. Both must now come up through the lower courts.

Checker-Upper

Squashing proposed legislation before it makes any headway is a new job in which Budget Director Bell is demonstrating his hard-headed efficiency in carrying out White House orders. Reports to Congress by departments and bureaus on new bills affecting their interests now have to run the gauntlet of the Budget Bureau. Thus a government agency which used to see a piece of money or an opportunity for further expansion coming its way without sticking its neck out is now constrained to submit non-committal reports to keep itself in the good graces of the Administration.

Lea Bill Ready to Go

House committee action is imminent on the Lea bill to broaden the powers of the Federal Trade Commission and make violation of its cease & desist orders a punitive offense. A revised draft of the legislation was completed by a subcommittee this week. Besides its general provisions dealing with unfair and deceptive practices, the bill claims sole authority for the Trade Commission over advertising of food, drugs, and cosmetics. The present intention is to launch the revised Lea bill in the House as an amendment for the Wheeler bill which previously passed the Senate. Meanwhile, Chapman's food and drug bill is being whipped into final shape by the House committee. Minus advertising control sections, transferred to the Lea bill, it specifies stiffer seizure regulations than those in Copeland's bill.

Packers Protest Polish Ham

With little sympathy from Sec. Wallace, meat packers are seeking means to head off the latest "menace" to agriculture, processed hams from Poland and Czechoslovakia. The foreign product is finding a ready market among housewives susceptible to the magic word "imported." While the effect on prices is yet negligible, imports are leaping and bounding. The packers are hastily pointing out

that two-thirds of our farm acres market their products in the form of meats; that the pork-corn price ratio is only 7-1, whereas 10-1 is generally accepted as par for farm prosperity; that something should be done to protect the farmer. Prospects for relief are poor, as any remedy threatens higher prices, and the H. C. of L. is already an Administration bugbear.

Crashing Air Mail Circuit

While cities on federal airways are trying to pass on rapidly increasing airport costs to the government, off-line towns are trying to make the air mail grade by asking the Post Office for feeder-line service. But that department is wary, for new branch-line mileage might get out of hand politically and soon double the present system. A bill to provide funds for experimentation in short-line operation is chilled by faint praise from the department, which fears that its regular appropriations would suffer.

To Match Scrap Cartel

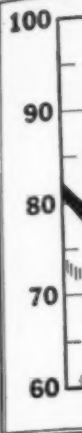
Prominent steel scrap exporters combined this week under the Webb-Pomerene export trade law to form an organization competing with the recently organized European cartel through which the British Iron & Steel Corp. buys for England, Italy, Germany, Czechoslovakia, Poland, and Hungary. Formed so as not to run afoul of the anti-trust laws, the Scrap Export Associates of America include Charles Dreyfus Co. of Philadelphia, Schiavone-Bonomo Corp., and Robert Joseph of New York. In the meantime Sec. Hull has put the kibosh on legislation proposing to license scrap exports, although Sen. Schwollenbach has asked for detailed reports and hearings by the Senate Military Affairs Committee.

Earlier Independence?

June 16 is the opening date for hearings on the proposed reciprocal trade agreement with the Philippines to be effective when independence is attained. Such unusual forehandedness has revived rumors that maybe the day of separation will come sooner than is now indicated.

Foreign Flags Tempting

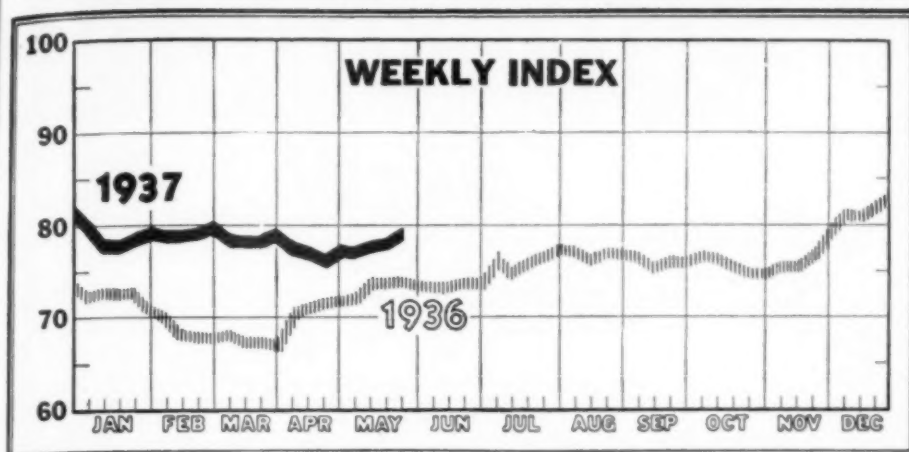
There's talk that some of the operators of the 44 mail contract shipping routes are thinking more or less seriously of switching to foreign flags. Complaint is rife that the Maritime Commission is paring down the new subsidies, which at their maximum cannot exceed the differential in operating costs. New Scandinavian motorships are reported available for charter which, in itself, is a temptation to the operators of 20-year-old craft.



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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	79.8
Preceding Week	78.9
Month Ago	77.9
Year Ago	74.1
Average 1932-36	64.5

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	77.4	91.0	91.0	68.2	45.8
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$9,844	\$10,194	\$9,481	\$8,663	\$5,194
Engineering Construction Awards (<i>Engineering News-Record</i> , 4-wk. daily av.)	\$8,799	\$9,792	\$7,956	\$6,308	\$4,137
*Bituminous Coal (daily average, 1,000 tons).....	1,213	† 1,203	1,092	1,135	953
*Electric Power (million kw.-hr.).....	2,207	2,199	2,194	1,922	1,625

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	130	129	127	114	98
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	83	83	83	74	68
*Check Payments (outside N. Y. City, millions).....	\$4,450	† \$4,661	\$4,479	\$3,722	\$3,085
*Money in Circulation (Wednesday series, millions).....	\$6,399	\$6,399	\$6,381	\$5,902	\$5,543

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.30	\$1.32	\$1.34	\$.91	\$.79
Cotton (middling, New York, lb.).....	13.26¢	13.26¢	13.48¢	11.75¢	9.86¢
Iron and Steel (Steel, composite, ton).....	\$39.89	\$39.97	\$40.25	\$32.83	\$31.18
Copper (electrolytic, Connecticut Valley basis, lb.).....	14.000¢	14.000¢	14.000¢	9.500¢	7.928¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	205.3	208.6	208.6	163.4	130.7

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.39%	4.39%	4.40%	4.34%	5.42%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.15%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.50%
Business Failures (Dun and Bradstreet, number).....	189	187	183	180	354

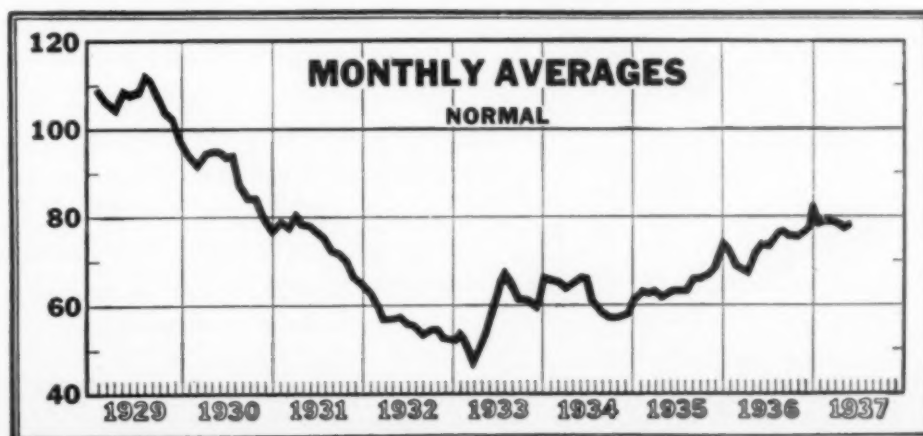
BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,557	2,565	2,571	2,466	2,333
Excess Reserves, all member banks (Wednesday series).....	940	910	1,640	2,901	1,529
Total Loans and Investments, reporting member banks.....	22,182	22,177	22,202	21,814	19,199
Commercial and Agricultural Loans, reporting member banks.....	4,232	† 4,188	§	§	§
Security Loans, reporting member banks.....	2,039	2,045	§	§	§
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,467	9,476	9,545	10,210	§
Other Securities Held, reporting member banks.....	3,186	3,201	3,229	3,305	§

*Factor in Business Week Index. * Preliminary, Week Ended May 29. † Revised. ‡ New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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**NEW FEATURES
in the
ENTIRE LINE OF
BURROUGHS
CALCULATORS**



A small six-column calculator for handling small amounts. It assures low equipment costs where a machine of large capacity is not required.



The many styles of Burroughs Calculators include machines of six, ten and fourteen column totaling capacities, fractional keyboards, electric or hand operation.



Burroughs Electric Calculator with Simplified Subtraction. New speed, new quiet operation, new style. Ten and fourteen column capacities.

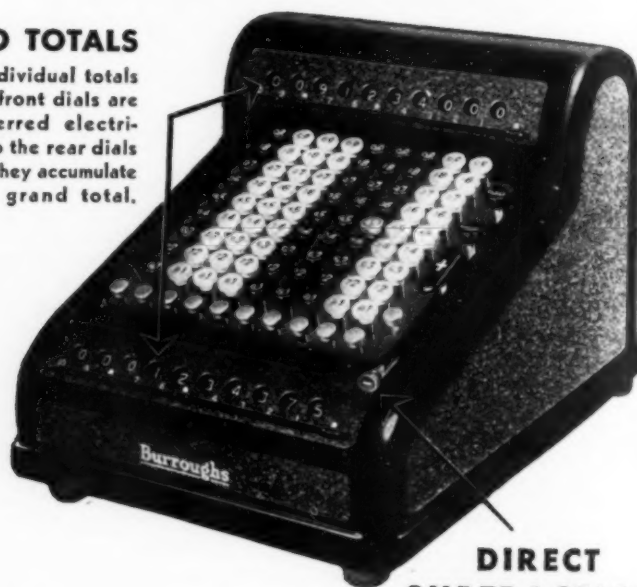
Burroughs

new

ELECTRIC DUPLEX CALCULATOR

TWO TOTALS

The individual totals in the front dials are transferred electrically to the rear dials where they accumulate into a grand total.



DIRECT SUBTRACTION

A mere touch of this key subtracts an amount directly from the grand total without the use of complements.

FAST... QUIET ELECTRIC

Provides a faster, simpler way to accumulate individual calculations into a grand total. Direct subtraction, fast electric transfer, electric clearance, and positive electric key touch speed up the work and enforce accuracy. Other Burroughs Calculators of various totaling capacities also have new features, new advantages and new styles; thus, you can select the one that will give you the shortest, simplest operation on your particular job. For a demonstration or complete information, telephone the local Burroughs office, or write—

BURROUGHS ADDING MACHINE COMPANY

6026 SECOND BOULEVARD, DETROIT, MICHIGAN

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The Business Outlook

THE emphasis placed on the labor situation in current gatherings of industrial leaders confirms early prognostications that labor would be industry's No. 1 problem for 1937. This week steel activity for the country as a whole dropped 14 points as a result of the strike in independent mills of Republic, Youngstown Sheet & Tube, and Inland Steel. Meanwhile agitation continues at the Ford plant. This week, too, railroads commenced negotiations with 14 unions requesting a 20¢ an hour increase in wages, destined to cut into this year's earnings of the roads, which for the first time since 1931 have been running in the black.

Automobiles and Labor

Close watch is being kept on the possible revision of the General Motors contract with the Committee for Industrial Organization which comes up on June 11. Harassed by "quickie sit-downs" ever since the original agreement was made, the company will undoubtedly seek to end such interruptions to production. A significant development of the labor situation in motor centers is the extensive preparations going on to expand production facilities so that overtime rates can be avoided when 1938 cars go into production.

Try to Get Steel

Steel customers of the strike-affected plants are casting about for other sources of supply and have attempted to shift orders to plants not affected by labor disturbances. Chances of shifting any important tonnage are doubtful, because mills outside of strike centers have an ample backlog of their own to consider before tackling needs of new customers.

National Cotton Week

Warm weather inaugurated the opening of National Cotton Week this week and perked up the spirits of retailers who have not been altogether satisfied with recent weeks. Southern states, in particular, look promising from recent returns of rural sales, chain drug sales, and check payments. April returns of wholesalers indicated that retailers expected sharp increases this spring in such luxury items as jewelry and furniture whose sales were up 58% and 53% respectively over a year ago.

Farmers Keep Buying

Judging from the substantial increase in both employment and payrolls in the agricultural equipment industry in April, there is no apparent

FIRST TRAILER CENSUS

At least 357 manufacturers were making automobile trailers of one sort or another last year, according to the first census of this budding industry. They made 53,646 of them, worth \$27,421,763 at the factory gate. The bulk of them were house trailers—16,173 worth \$525 apiece, or \$8,496,021. California had the largest number of manufacturers of trailers, or 86, but Michigan with 58 concerns sold the largest number of trailers, valued at more than \$14,200,000.

slackening in demand for its products from farm areas. Farm income for that month was well sustained, and for the first four months to date is running 27% ahead of comparable months of 1936. May and June income looks equally promising despite the fact that prices received in May, and perhaps in June, tended to decline.

Much Air Conditioning

While textile, steel, and motor industries may taper off their activity as the summer months approach, the air-conditioning industry is preparing to move ahead on high. For six consecutive months the industry has held a margin of more than 100% over the same months of the preceding year, as far as new installations are concerned, according to the publication *Automatic Heat and Air Conditioning*. Orders booked by manufacturers in the first quarter topped the first three months of 1936 by 175%. Texas, Oklahoma, New Mexico, and Arizona have indicated marked interest in air conditioning this year.

Hosiery Prices Rise

Hosiery interests were gratified to find the F. W. Woolworth stores posting the second increase of 1937 in women's full fashioned hosiery. With higher wages, higher taxes, and higher silk prices than a year ago, the industry was pushing hard for better selling prices. Strikes during March

cut stocks in this branch 13% below a year ago. March shipments of all types of hosiery reached a new all-time high, 21% above a year ago. Stocks of all types were only 4% higher than a year ago.

Plate-Glass Record

Stimulated by construction and automobile activity, the plate-glass industry has been recovering rapidly since the production break in December and January occasioned by labor difficulties. April set a new high in output.

New High for Cigarettes

Cigarette production is well on its way to establishing a new high for 1937. Every month since June, 1936, has been setting a record for the month. April, 1937, was the eleventh such record.

Railroad Earnings Outlook

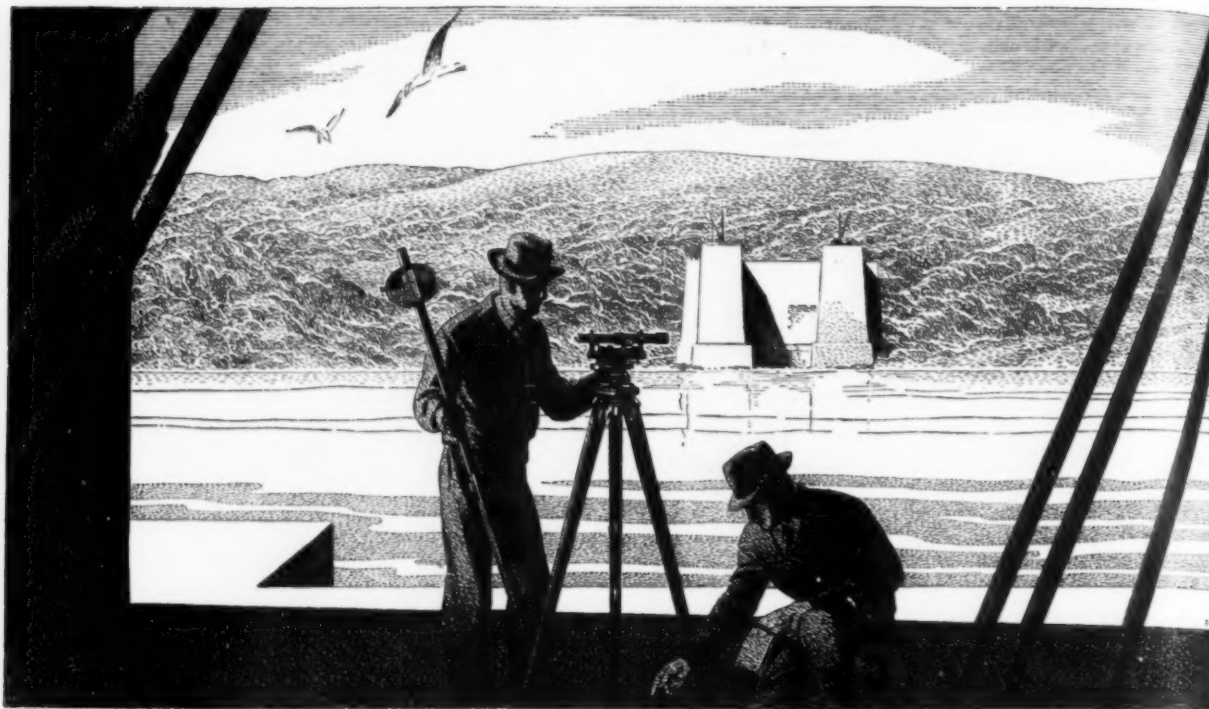
Though April carloadings were curtailed by the sudden slump in coal shipments following the brief coal strike on Apr. 2, so that railroad earnings for the month were less than might have been expected after the favorable reports of March, the prospects for the balance of the year continue bright. Loadings are expected to continue rising more or less evenly, except for holiday weeks, until the fall, aided by larger industrial and agricultural shipments. Chief fly in the ointment, as far as earnings are concerned, is the probable size of the wage increase to be granted.

Manufacturing and Minerals

Manufacturing activity in April (as measured by the Federal Reserve Board) revealed more than the normal seasonal increase in activity over the preceding month, so that the adjusted index rose from 117% of the 1923-1925 average to 118%. A sharp drop in the mineral output, chiefly due to bituminous coal, held the combined industrial index at 118% of the base period for both March and April. While this level falls below the recovery peak of 121% registered in December, it is the best spring level since 1929.

Gains in Advertising

Advertising activity has gained 10 points since January and in April stood within two points of the December peak when holiday advertising and the pressure of the undistributed earnings tax gave newspaper, farm paper, and magazine advertising an extra fillip. With the likelihood that the tax will still be on the books throughout 1937, advertising media look to another last quarter spurt this year similar to that of 1936.



BENCH MARKS . . . A bridge begun at each side of a river meets as planned . . . a tunnel started at widely distant points "holes through" accurately, far underground . . . a dam closing a valley floods a pre-determined area—all because experienced engineers have set exact *bench marks* and referred their operations to them. • Sanderson & Porter's studies and analyses of problems are offered as "bench marks" upon which managerial and operating decisions

may be based. • The firm is a partnership established 40 years ago. It includes individuals of widely varied experience whose composite advice and service as an organization are available to management.



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BUSINESS WEEK

JUNE 5, 1937

Tax Quiz Won't Balance Budget

Roosevelt's blast against evaders' "clever" tricks will lead to Congressional investigation, but plugging of loopholes can't bring enough revenue.

PRESIDENT ROOSEVELT this week sent a message to Congress on tax avoidance and the Senate the same day rushed to adoption a resolution calling for an investigation. Which means that Washington's torpid summer will be relieved by an old-fashioned Congressional "witch-hunt." That is the immediate upshot of the Mar. 15 "shortage" in federal tax revenues. But it by no means furnishes a solution to the budget problem.

Though wealthy Americans will be called upon by Congress to explain the sources of their income and their methods of filing their tax returns, the closing of "personal loopholes" will not bring in the revenues the undistributed earnings tax failed to bring in—simply because the very loopholes the President deplored in his message existed at the time the Treasury made its estimates. What is more, the Treasury was well aware of them.

System Was Well Known

About all that can be said is that the preliminary inquiry instituted by Undersecretary of the Treasury Magill revealed that tax avoidance by the wealthy perhaps was greater than expected; but the investigation did not show that the surtax bogged down because corporations and individuals found ways to beat it. It has long been well known that some taxpayers in the large income brackets, supported by high-priced legal talent, set up personal holding companies, or incorporated racing stables, or established numerous trust funds for the deliberate purpose of cutting their tax remittances.

Indeed, the Revenue Act of 1936 directly acknowledged the existence of the personal holding company as a device to reduce levies. The law cut the tax rate on personal holding companies, on the theory that the superimposition of the undistributed earnings tax would force these private companies to disgorge income to their owners; then the owners would have to pay taxes on higher personal incomes. But that failed.

Wealthy individuals still found it was cheaper to accumulate surpluses in their personal holding companies

and let the companies pay taxes, than take those earnings for themselves and pay taxes directly.

To that extent, perhaps, it may be said that the undistributed earnings tax was avoided. Actually, however, what happened was that taxpayers found it was less onerous to pay the high surtax than to pay heavy personal income taxes. Moreover, the basic reason for the personal holding company (both domestic and foreign) is the capital gains tax.

So long as the federal government retains that levy on capital, it is a fairly safe assumption that capital will strive to evade it by whatever legal loopholes can be found; particularly since no other country has a tax just like it.

By the formation of a personal holding company—in the Bahamas, Bermuda, Newfoundland, or Panama, where corporation taxes are negligible and laws are decidedly lenient—Americans can crawl out from under the capital incisions of the gains tax. During a period of rising markets, this is

particularly convenient. That accounts for the establishment of 64 personal holding companies by Americans in the Bahamas during 1935 and 1936, and 22 such corporate havens in two recent months.

An American simply takes his stocks and bonds, transfers them to a privately formed corporation in one of those hospitable localities, and takes the stock of the newly formed company in exchange. The personal holding company has to pay the dividend withholding tax (10%), and also must pay the personal holding company tax on income received from domestic securities. But there is no capital gains tax.

By going a step farther, and putting the stock of the personal holding company in trust, the citizen can avoid most of the taxes altogether—because it then becomes extremely difficult for the government to trace the transfer and find the true beneficiary.

Choice of Methods

In a similar category are domestically domiciled personal holding companies. Here the taxpayer has a choice. He can pay the high taxes on the income of his personal holding company (including capital gains), or he can pay the income to himself and remit taxes to the government on the basis of that income. His decision will depend on which method offers him the optimum



Wide World

NO SMOKING—BY ORDER OF C.I.O.—There's a haze over Republic Steel Corporation's Corrigan-McKinney plant in Cleveland, but it isn't the smoke from busy furnaces. Fires have been banked since May 27, when C.I.O. began its big push, and the chimneys won't begin smoking until settlement is reached in the bitterest labor upheaval steel has known in nearly two decades.

benefit—that is, which way he pays the smaller tax.

The formation of numerous or multiple trusts has been fairly simple. The government allows a man and a wife, each of whom has an individual income, to file separate returns, or to lump their returns. By extending that privilege, the rich can set up trusts for the benefit of children and other relatives. If a man has a half-million-dollar income, by setting up five trusts, he cuts the income to \$100,000 per person, which brings the topmost surtax bracket down to 55% from 68%. Taking relatives into a partnership has a similar effect.

The Treasury's argument against most of these devices is that they were not intended by law. In the case of special taxes for foreign companies, there was a clear intention to permit foreigners to claim exemption from capital gains taxes, but there was no expectation that Americans would avail themselves of this escape from the burden. Probably by eliminating capital gains taxes entirely, a large part of the incentive to avoid taxes will be removed—and that probably will be discovered during the course of the congressional inquiry, which is scheduled to begin the middle of this month.

Enough's Enough

Other types of tax evasion are on less solid legal ground. One of these is formation of a dummy insurance company. The taxpayer pays a large initial premium, then turns around and borrows from his own company the policy's cash-surrender value, whereupon, as a borrower, he charges the interest on the loan as an expense against income. Many such deductions have been disallowed—indicating that avoidance by this measure has failed when it has been detected.

Incorporation of yachts, or country estates, or prize poultry farms is another escape valve. Here the owner calls his chickens a business, instead of a hobby, and charges his operating losses to his income. Or in the case of a yacht, a slice of securities is set aside for its separate corporate upkeep and maintenance. The owner then pays rent to the yacht corporation and the affairs of the yachting corporation are so run that the income from the securities plus the rental just barely cover operating expenses, and there are no taxes. But if the owner of the securities received the income from them directly, he would have to pay high taxes on that income.

Also branded as "unmoral" is the practice of buying high pension annuities for the owners of a business. The premiums are classed as "expense," but the owners get the benefit—a sort of deferred retirement dividend.

Then there are what the President

calls legal loopholes. Oil and mining companies now are permitted to deplete properties beyond the actual amount invested. A change is certain, and it will directly cut earnings of petroleum, copper, coal, sulphur and other natural resources enterprises.

Another impending change is in tax-



ENCOURAGEMENT?—H. G. Galton, director of Bethlehem Steel Corp., lays a friendly hand on the arm of T. M. Girdler, president of Republic Steel Corporation, at last week's annual meeting of the American Iron and Steel Institute in New York. Girdler's selection as president of the Institute for the coming year—by a unanimous vote, but after spirited discussion—was interpreted as tacit encouragement of his fighting stand against C.I.O. unionization.

ation of non-resident aliens, especially hiking of the 10% dividend withholding tax. This will be double-barreled: it will tend (1) to increase tax revenues, (2) to check the flow of "hot money" to this country.

Whether Congress will plug the gaps at this session depends to a large extent on how profitable the investigation turns out to be. But any increased intake from thwarting these evasions will hardly conceal the fact that the Treasury grossly underestimated the returns from the undistributed earnings tax. The Presidential protest against tax tactics of the rich is only a verbal recognition of what the Treasury long has known. Neither the accuracy of the Treasury estimates of income nor the efficacy of the corporate surtax is affected particularly by the 11 escape valves the President enumerated.

Drops British Tax

Chamberlain is forced to withdraw profits levy, but business must pay in another form.

LONDON—Politicians cooperated with business leaders this week and forced the new Prime Minister, Neville Chamberlain, to withdraw from his finance bill the "growth of profits" tax which he devised himself when he was still chancellor of the exchequer (*BW*—May 1 '37, p. 50).

British business is not freed of the prospect of bearing a share of the new arms program by the withdrawal of the measure. Chamberlain has already said that he will substitute a "simpler" tax to yield \$125,000,000, instead of the \$75,000,000 expected from the tax abandoned. The still shrewd Mr. Chamberlain commented in his speech withdrawing the objectionable tax: "I am told that industry does not challenge the propriety of finding the amount I want out of its profits."

Objections to Tax

There were numerous objections to the projected tax. It was to be based on an increase in profits, with considerable leeway for individual taxpayers to determine the base. Industry protested that the years 1933-35, originally proposed as the base, placed an unfair burden on those industries which had been especially depressed during the slump and had just begun to recover, and on those new industries which had grown up with the recovery but were just now developing volume. In addition, it was considered a hopeless task to enforce the law as drawn.

Neither the Prime Minister nor any member of the government has yet indicated what the substitute tax will be like. Mr. Chamberlain did assure the House of Commons that the new proposals would not involve increases of the income tax or of indirect taxation. General belief is that it will be on a straight percentage of profits basis.

There are two reasons for the tax. One is the revenue which it will produce to meet a part of the \$7,500,000,000 rearmament bill. The former chancellor stressed this angle when he called his bill the National Defense Contribution. The other is the effort to prevent excessive profiteering.

It is significant that opposition to the old measure was almost universal in Parliament. Even Labor members urged rewriting of the bill. And all parties pointed out the market slump which followed introduction of the bill. A part of it was blamed on the uncertainty over the future price of gold, but the sharp advance in stock market prices following withdrawal of the measure indicates the influence it has had on the market.

Behind the Steel Strike

Although it looks like a deadlock, pressures are developing that may lead to a compromise. Republic and C.I.O. seem about evenly matched.

BUSINESS observers this week, attempting to sort out the factual evidence in the great Midwest steel strike and to estimate the chances for eventual peaceful settlement, were forced to admit that in its early stages it looked like a deadlock which might hold for 30 days without cracking.

Nevertheless, sundry pressures were building up on both sides which might cause them to abandon their original rather unrealistic attitudes and get down to cases. From the public's viewpoint, there was so much smoke that a major conflagration might result if the fire-wagons didn't come soon.

It's an Even Match

One possibility was that James Dewey, Department of Labor conciliator, would be able to bring Chairman Tom Girdler of Republic Steel together with leaders of the Committee for Industrial Organization for a brass-tacks conference. Others were that the loss of work might bring the strikers to a more reasonable attitude and that the loss of business eventually might bring Republic stockholders around to a conciliatory frame of mind.

There is no doubt of the strength of Republic (which is credited quite generally with carrying the ball for the other big steel independents) and there is no doubt of the strength of the C.I.O. This week they were about evenly matched—which is to say, if a consent election had been held this week in all Republic plants except the non-unionized Southern works, the union would have polled about half the workers.

A Matter of Interpretation

These were the most important points in the dispute:

1. The Wagner Act was not closely involved. Republic is observing the exact letter of the law, has reinstated employees whose layoff brought early charges of discrimination, and is not disposed to sign a contract based on the Carnegie-Illinois contract which the Steel Workers Organizing Committee negotiated four months ago. If you want to discuss the spirit of the law and take the National Labor Relations Board decision in the St. Joseph stockyards case as a basis for believing that good faith in collective bargaining implies an obligation to set the resultant agreement down in black and white, you might think Republic in error, but there are various ways of interpreting the spirit of laws.



THE WORKERS WENT HUNGRY—To avoid violence in trucking supplies through picket lines, an airplane was used last week to drop food to workers in a tin mill near Niles, Ohio. One of the food "bombs" was poorly aimed, and dropped outside the plant. Two pickets are shown here nailing the smashed canned goods to a telephone pole.

2. The union, despite its demands in the Chicago area for an inclusive contract and despite general claims of complete sewing-up of the steel workers between Chicago and Buffalo, is puny in some spots and far short of majority support in others. Plant by plant, it would win some, lose some, at this time. Realizing this, it is evident to observers that the strike is an "organizational" strike, in about half the plants affected.

Election Timing Important

3. In the course of strikes these days, the union usually picks up members fast for a time, as it shows its power to put the boss in hot water and to close the gates. But the individual, after a period of being without work and being forced to get along on relief or on doles from other unions, is apt to lose heart. Thus the timing of an election is very important.

4. If the company wins at one plant, it probably wins only temporarily, because the Committee for Industrial Organization plus government sentiment is moving fast in other parts of the country and will play a return

engagement. Thus the sentiment of local business which figures to give the C.I.O. a thumping defeat and "end this union stuff" is based on questionable grounds.

Neither Side Quite Ready

5. With both sides playing for the "undecided" steel worker, it is obvious that neither really wants an election in the early stages. Later it may be a different story, when either company or union becomes convinced that they've "got the guys." This week, despite bold claims, neither could be sure.

Republic and C.I.O. both have decried violence, and both blame what violence there has been on the other. The public thinks both are pretty truculent, but to date has deserved judgment, especially in Cleveland.

Although the company seemed ready this week to sit tight for two or three months if necessary, the flying-in of provisions to crippled but still operating plants was the tipoff on genuine lack of preparedness. According to company estimates, better than 20,000 men were working this week, with some 30,000 out. The company contends that the men outside really want to work but are forcibly prevented from coming in; the union contends that some of the men inside are solid C.I.O. members. Both contentions have some basis in fact.

So the Republic outcome probably will settle the other steel quarrels, and the Republic outcome is in doubt. One thing is certain: Republic under Tom Girdler will not sign the Carnegie-Illinois kind of agreement. The door still is open, however, to some other kind of settlement; at least it has not been slammed shut completely and irrevocably.

Discounts under Fire

Dry goods sellers try limiting them, but buyers discover a way around.

IN the period of rising prices which ushers in a sellers' market, the bargaining position of the buyer is something less than ideal. Currently, it is being made all the more difficult by virtue of the fact that sellers generally have become pretty much aware of the uses of the Robinson-Patman law in justifying restriction of quantity discounts, advertising allowances, and special deals. The situation is particularly acute for department store owners, forced to deal with well-organized trade associations among the dry goods suppliers.

Sporadic attempts to jack up the price structure by cutting out deals found their first focus in the move made two months ago by the Boys and Students Clothing Manufacturers Asso-



Underwood & Underwood

THE SKYSLEEPER—Into service this week went the world's largest and most powerful transport airplane—Transcontinental & Western Air's Skysleeper. Powered with two Wright Cyclone motors, each of which develops 1,200 horsepower, the new plane is capable of carrying 25 passengers and a crew of three at a cruising speed of 218 miles per hour. The Skysleeper will operate from Los Angeles to New York in slightly over fifteen hours. Westward, against prevailing winds, the trip will be seventeen hours.

ciation to standardize all trade discounts at 7% on penalty of a \$2,500 fine for any member who kicked over the traces. Through the Vendors Relations Committee of the National Retail Dry Goods Association, department store owners entered immediate protest, contending that discounts were inevitably a part of price and should not be removed from the field of individual bargaining. Furthermore, they argued that varied discounts ranging up to 10% could be amply justified within the apparent meaning of the Robinson-Patman law on the basis of savings in the cost of manufacture, sale, or delivery.

Others May Follow Suit

Upshot of many conferences has been the installation of a new system of purchasing and billing which reserves to the department store buyer his essential freedom of contract and yet which saves face for the manufacturers' association. In effect, individual discounts are abolished under the new system and department stores buy on what amounts to a net price basis. In taking goods into stock, however, most stores add on the discount which they know they are getting and establish an artificial list price for their own convenience in figuring the mark-on. Thus the discount remains as a cushion for later mark-downs.

Since the conclusion of those arrangements last month, the department stores have had to contend with similar discount standardization proposals advanced by the Millinery Stabilization Commission, the National Knitted Outerwear Association, manufacturers of juvenile knitwear, and the producers of covered belts and buckles. All of these

proposals are in various stages of negotiation, moving toward a solution which will achieve the same end as that accomplished in the boys' clothing industry.

Consumer Rivalry

Who'll run the movement? Big chains sponsor "foundation." Prof. Lynd gives warning.

"At this critical stage of consumer organization, the movement faces precisely the danger which labor has been facing in the form of the 'company union.' The whole movement can be aborted if the present plans of manufacturing and retailing trade associations to set up 'kept' consumer pressure groups is allowed to go forward unchecked."

Thus last month in the columns of the New York Times came a warning from the prolific pen of Robert S. Lynd, professor of sociology at Columbia University, author of the two books on "Middletown," and former member of the old NRA Consumers Advisory Board.

Having observed the Lynd smoke, marketing men—especially those who have been in the thick of the fight for or against fair trade laws and other price control legislation—set about looking for the fire. They didn't have far to look.

Earlier in the month Prof. Lynd had been elected vice-chairman of the newly organized Consumers National Federation, an amalgamation of assorted consumer interests including cooperatives, social workers, teachers, economists,

clubwomen, and such agencies as Arthur Kallet's Consumers Union. One day after news of this event was published, there was reported the contemplated establishment of a second national organization, tentatively known as the Consumers Foundation. Prof. Lynd's name was mentioned as among those who attended its organization meeting.

Drawing Deductions

Since Mr. Lynd in his blast at consumer "company unions" specifically identified the Federation as "genuine"—an identification about which there could be little question—and since he pointedly neglected to recommend the Foundation, it became apparent which group he was shooting at.

The direction of the shots was a matter of interest to big distributors and to some producing groups, for they candidly admit that such groups can, as Prof. Lynd pointed out, "be used as convenient asbestos gloves to pull business chestnuts (and incidentally consumer chestnuts) out of the fire." Evidence of those uses has been supplied by Safeway Stores and other chain interests on the Pacific Coast which successfully marshalled consumer votes in their campaign against California's \$500-a-store chain tax proposal at last year's referendum.

Chain Store Sponsors?

Inquiries into the nature of the Foundation movement were not, however, particularly fruitful. The original sponsors appeared to be the big drug and variety chains that operated through the offices of astute public relations counsellors. The original organization meeting was held at the call of William T. Foster of the Pollak Foundation, a former confrère of Prof. Lynd's on the Consumers Advisory Board whose services had been enlisted through a middle-of-the-road consumer publication.

Aside from a smattering of college professors, the first conference was attended by half a dozen clubwomen, some of whom, notably Mrs. Wilbur E. Fribley, of Chicago, president of the Housewives League of America, have already been active in pleading the cause of the big distributors before congressional committees and other groups.

Following a second meeting this week of three or four of the principals in the organization drive, it became apparent that plans for the Foundation would gestate slowly through the summer, and burst into bloom this fall with a campaign embracing a national consumer newspaper and utilizing fraternal organizations, insurance and home financing agencies, and other channels of propaganda dissemination much broader than those of existing groups.

What the Court Did to Business

Decisions of "reorganized" Supreme Court have already opened door to sweeping extension of federal and state regulation. Public relations, not legal, job now needed.

WHEN the Nine Justices folded their robes this week at the end of the 1936-37 session of the Supreme Court of the United States, smart New Dealers said, "Goodbye to the old Court!" Smarter observers, both inside and outside the New Deal, said, "Au revoir to the new Court."

The cold fact is that, for all practical purposes, the reorganization of the Court, sought by legislative process, has already been accomplished by the ordinary process of court decision. The importance of this fact, as it applies to legislation for the regulation and taxation of business, strikes across the whole field of business, big and little.

Two "New" Members

Reorganization has come about not by any change in personnel but by a decided change in the views of at least two members of the Court since the last national elections. The consistency with which decisions approving important laws regulating business have been rendered during the last term of the Court, as contrasted with the record of the preceding term, negatives any argument that this is a coincidence. The distinct departure from established

precedents in cases involving laws of far-reaching significance could not have been a mere circumstance, as legal history bears testimony that the Court has rarely indulged in such a practice.

An analysis of some of the decisions rendered by the Court in the last term will show what has happened and demonstrate how the Federal Constitution has been drastically broadened, or amended—whichever word may suit one's taste—by legal interpretation, thus paving the way for sweeping legislation to regulate business and put into effect New Deal ideas of meeting social needs.

One of the most prolific sources of power from which Congress has drawn in the last few years in regulating business is the commerce clause of the Constitution. The declaration that "the Congress shall have Power to . . . regulate Commerce with foreign Nations and among the several States, and with the Indian Tribes" did not assume any great significance in so far as regulation of business is concerned until over a half century ago when the Interstate Commerce Act provided for the regulation of railroads. At that time the power to enact such legislation was seriously questioned, but the Supreme Court approved this form of regulatory measure. This may be said to be the first major phase of the broadening of the concept of the commerce clause.

The New Deal Attack

The second major phase came in the Sherman Anti-Trust Law and certain companion statutes, such as the Clayton Act and the Federal Trade Commission Act, which have long had the blessing of the Court. The third may be said to have been reached in various statutes enacted since 1933, notably the NIRA, the Guffey Coal bill and the Wagner Labor Act. In the first two named, attempts were made to regulate purely local business, such as manufacturing, production, processing, etc., but the Court most emphatically denied the existence of a power in Congress to legislate over such activities.

Then the momentous Wagner Labor Act reached the Court this year. It was framed along constitutional lines, and was specifically limited by its language to activities in interstate commerce. However, the National Labor Relations Board, in applying the act, had asserted jurisdiction in cases involving activities of a local nature. Its authority to do so was seriously questioned and its

staunchest supporters were resigned to the belief that there was no chance that the Supreme Court would approve. And on Apr. 12, in the case of the National Labor Relations Board vs. Jones & Laughlin Steel Co., and companion cases, the Court by 5-4 decisions did approve.

The Wagner Labor Act was predicated on the premise that denial by employers of the right of employees to organize, and refusal by employers to accept the procedure of collective bargaining, led to strikes and other forms of industrial strife which have the intent or effect of burdening commerce. The Court's approval of the Act as a proper exercise of constitutional power, and of its application to activities concerned with the manufacture of goods locally, was a complete reversal of its previously announced concept of the commerce clause.

Distinction Wiped Out

Theretofore the Court had established what appeared to be a fairly well-defined line of cleavage. Transactions or activities involving the shipment of goods across state lines were accepted as being within the purview of the clause, but matters pertaining to production, manufacture or processing, even though relating to goods designed for ultimate shipment in interstate commerce, were consistently held not subject to federal regulation. This distinction has now been completely brushed aside so that activities of a purely local nature which are a part of a series of steps which



International

PEACEMAKER—Proud of the Supreme Court and its record, the chief job of Chief Justice Hughes has been to reconcile conservative and liberal justices, thus maintain the Court's face and prestige.



International

KEY MAN—Until a few months ago, the Court had five conservative members, four liberals. A sudden shift on the part of Justice Owen J. Roberts made the Court liberal, him its most important member.

may lead ultimately to the shipment of goods in interstate commerce may be subjected to federal control.

It has been roughly estimated that the scope of the commerce clause has been broadened by the Labor Act decision at least ten times, considering the activities which have now been brought within its sphere, and because this clause is such an important factor in our economy, it may be rightly said that the Constitution has been amended. There are left no guide-posts to determine the bounds of the commerce clause—the door is opened wide for the assumption of most sweeping powers by Congress.

Question of Desirability

The propriety of the exercise of federal jurisdiction under the commerce clause in the future will depend mainly on the ability of the Congress and the Administration to show the effect on commerce of any situation they seek to remedy, and on the attitude of the members of the Court toward the desirability of the legislation. The law of the case, as developed in the decisions of the Court previous to the Labor Act decision, will be relatively unimportant.

The subject is one in which an opinion on either side of any question can be fully justified, because this decision has rendered the commerce clause more vague and indefinite than it ever was. In this connection, it is significant to note that the Supreme Court has rarely, if ever, narrowed the breadth of the powers it has once found to exist in Congress under the Constitution; the tendency has always been to extend or broaden the scope of such powers.

Another important decision of the Court involving the interpretation of the commerce clause and suggesting a means for further exploitation of this clause in devising measures for the regulation of business, was that handed down on January 4, 1937, in the case of *Kentucky Whip & Collar Co. v. Illinois Central Railroad Co.*, otherwise known as the "convict-made goods decision." It was unanimously held in that case that the Ashurst-Sumners Act, which makes it unlawful knowingly to transport goods made by convict labor into any state where the goods are intended to be received, possessed, sold or used in violation of its own convict-labor laws, is a proper exercise of the power of Congress under the clause.

Far-Reaching Decision

This case did not attract the attention it merited, for the principle announced by the Court is of far-reaching significance, particularly in view of the liberality of the justices in recent decisions in cases involving the power of states in social legislation.

The Court said: "The pertinent point is that where the subject of commerce

is one as to which the power of the state may constitutionally be exerted by restriction or prohibition in order to prevent harmful consequences, the Congress may, if it sees fit, put forth its power to regulate interstate commerce so as to prevent that commerce from being used to impede the carrying out of the state policy."

Under the decision, it would seem that a state could declare it unlawful to sell or use within the state goods produced or manufactured in another state wholly or partly through the employment of child labor; or by women or children not receiving a stipulated minimum wage, or working more than a prescribed maximum of hours; or in violation of specified standards of labor practices, and the federal government, in order to support the policy of the state, could prohibit the shipment into the state of any outside goods not manufactured or produced in conformance with the standards laid down.

Used for New Advance

On this may rest the whole new wage-hour program of the New Deal. The President in his recent message proposing legislation regulating hours and wages, apparently had in mind the principle enunciated in the convict-made goods decision, and perhaps to a lesser extent in the Wagner Act decision, as a legal justification for his proposal. He said: "And so, to protect the fundamental interests of free labor and a free people, we propose that only goods which have been produced under conditions which meet the minimum standards of free labor shall be admitted to interstate commerce. Goods produced under conditions which do not meet rudimentary standards of decency should be regarded as contraband and ought not to be allowed to pollute the channels of interstate trade."

Another clause of the Constitution which has been a fruitful source of legislation of a social nature is the so-called welfare clause which says, "The Congress shall have Power to lay and collect Taxes, Duties, Imports and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States . . .". The original Child Labor Act and the AAA are typical of legislation enacted ostensibly to promote the general welfare. But the Supreme Court rejected this legislation as being beyond the scope of the powers of Congress.

In the AAA case decided on January 6, 1936, the Court held that the act was unconstitutional primarily because its purpose was to control agricultural production, a purely local activity, so that farm prices might be increased. The majority asserted that Congress had no power to delegate such control to the federal government and that, therefore, the act was an invasion of the reserved

New Deal's Record in the Supreme Court

Cases Won

Gold revaluation, 5 to 4.
TVA's authority to contract for the sale of incidental power from Wilson dam, 8 to 1.
Embargo on shipment of arms to the Chaco, 7 to 1.
Regulation of prison-made goods shipped in interstate commerce, 8 to 0.
Tax of 50% on silver profits, 8 to 0.
Abrogation of gold payments applied to bullion, 5 to 4.
New Frazier-Lemke Farm Mortgage Moratorium Act, 9 to 0.
Railway Labor Act, providing for collective bargaining, 9 to 0.
National Labor Relations Act, 5 to 4.
Regulations limiting refund of AAA processing taxes to those claims supported by proof that processor absorbed tax, 8 to 1.
Social Security Act: unemployment insurance title, 5 to 4; old age annuity, 7 to 2.

Cases Lost

NRA, 9 to 0.
AAA, 6 to 3.
Wage and hour regulations, Guffey Coal Act, 6 to 3.
Prohibition of interstate shipment of hot oil (Sec. 9-c of NIRA), 8 to 1.
Original Frazier-Lemke Act, 9 to 0.
Original Railway Pension Act, 5 to 4.
Municipal Bankruptcy Act, 5 to 4.
Refund of processing taxes impounded prior to AAA decision, 9 to 0.

Cases on Deck

(Laws and regulations already established but not yet before the Court)

Public Utility Holding Company Act.
Securities and Exchange Act.
New Guffey Coal Act.
Pension agreements effected under new Railway Retirement Act.
Soil Conservation Act.
TVA's authority to engage in the production of power for sale.
PWA's authority to finance the construction of public power generating and distributing systems.
Federal government's right to condemn land for public housing.
Surtax on undistributed profits of corporations.

And in the Hole

(Controversial legislation shaping up in Congress—and the White House)

Labor standards bill banning interstate commerce in goods produced (1) by child labor, (2) in violation of minimum wage or maximum hour standards, or (3) in plants employing strike-breakers or labor spies.
New farm bill applying compulsory control of production to major crops.
Probable extension of the federal government's authority over the development and use of water resources.
Amendment or revision of anti-trust laws to restrain monopoly, regulate trade practices.
Possible extension of "planned economy" idea, involving federal regulation of production and prices, restricting plant expansion.

"YOU CAN'T WRITE TOO STRONG AN AD ABOUT IT!"

THE words quoted above tell you what the Cloverleaf Dairy of Springfield, Missouri, thinks about the Goodyear COMPASS Belt on their ammonia compressor drive, so we'll let you judge from the facts.

It would be hard to find a drive operating under any more difficult conditions. Water from steam condensation and defrosting ammonia pipes keeps the belt in a continual "rain" under which it must keep running 24 hours a day.

At first the most expensive types of so-called "waterproof" belts, costing approximately \$100 each, were used on this drive, but they only lasted from nine to twelve months before

the dampness caused separation and failure.

Four years without a shut-down

Then the G.T.M.—Goodyear Technical Man—was called in and on his specification a Goodyear COMPASS "40" Endless Belt was applied to this drive in February, 1933. Today, it is still performing perfectly; has never required repairs, caused a shut-down, or lost a minute's time.

But here's the most astonishing fact of all. The Goodyear COMPASS cost exactly \$22.50. In other words it has given over *four times* longer service at less than *one-fourth* the cost of previous belts—or more than 16 times greater value!

With records like this, and they are many, there is no need to "write" advertisements.



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MOLDED GOODS
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Made by the makers of
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To bring the G.T.M.
to your plant, write
Goodyear, Akron, Ohio,
or Los Angeles, California
—or the nearest Good-
year Mechanical Rubber
Goods Distributor.

THE GREATEST NAME IN RUBBER
GOOD YEAR

power of the states. The taxing feature of the act was branded as unconstitutional because it was an indispensable part of the whole plan, the Court holding that the power to tax and appropriate for the general welfare pertains to matters of national, as distinguished from local, welfare.

Another Overturn

That principle seemed equally applicable to the cases involving the constitutionality of the Social Security Act. Yet on May 24, the Court rendered two decisions upholding the constitutionality of Title IX of the Social Security Act and Titles II and VIII of the same act. While admittedly the majority justices made a valiant effort to differentiate these cases from the AAA case and many previous pronouncements, it is at once evident from a reading of the decision that the judicial mind was now directed more to the social aspects of the problem before it than to the mere law of the case.

The significance of these decisions as a basis for further legislation under the heading of general welfare is fully realized in Washington. If Congress can tax and appropriate funds to pay unemployment benefits and pensions, then it would seem that it may use its taxing powers for any purpose it deems to be for the general welfare, such as providing relief benefits for farmers,

for the dependents of deceased persons, for the underpaid worker, for the unprofitable business, and so on. The scope of its activities in this sphere are almost unlimited.

More Power for States

While the Court has approved legislation enabling the federal government to invade the domain of state powers, it has also in this last term consistently approved the extension of state powers over various phases of social and economic life.

Thus, in the Fair Trade Act cases decided on December 7, 1936, the Court unanimously approved state laws permitting a person owning a brand or trade-mark to establish by contract the minimum resale price at which the branded goods should be resold, and penalizing anyone, whether under contract or not, reselling below the prescribed minimum.

This decision by the Court represents a decided departure from the common law principle that a person owning goods could sell the same at whatever price he pleased, provided he did not do so to wilfully injure a competitor. This law was designed to aid the small retail outlets.

In the case involving the minimum wage law of the state of Washington, decided on April 5, 1937, the Court completely reversed its own decision in



THE PAUSE THAT REFRESHES—When the Court adjourned this week, Willis Van Devanter retired to his Maryland farm, left the first vacancy for President Roosevelt to fill with a man of his own choosing.

the immediately preceding term and held constitutional a state statute fixing minimum wages of women and children in industry.

In the field of tax legislation, the Court has also given the states a fairly wide opening. On Mar. 29, a unanimous opinion upheld a statute of the state of Washington levying a compensating or use tax on the privilege of using within the state personal property bought outside the state, unless the 2% sales tax was paid at the time of purchase. It had been argued that this was a clear invasion by the state of the power of the federal government over interstate commerce.

Chain Tax Precedent

Again in the case involving the constitutionality of the Louisiana chain store tax decided on May 17, the Court by a 4 to 3 decision adopted a broad view of the powers of states to levy taxes and held constitutional a law levying a progressively increasing tax measured by units both within and without the state. The Court in the course of its opinion gave recognition to the premise upon which the law was predicated, viz., "to discourage merchandising within the state by chains grown so large as to become a menace to the general welfare."

If one needs more evidence of a striking change in the attitude of the Court toward social legislation than has already been given, a careful reading of the complete decisions during the last term and comparison of the tone with those in the preceding term will defi-



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Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

LARES and PENATES

*Household gods of the
ancient Romans*



Lares—gods of Protection. So old that their origin is shrouded in mystery. They were first, gods of the cultivated fields, then of the home, and also guardians of the city as a whole.

Penates—gods of Plenty, equally old. Supposed to preside over the storeroom, supplying the household with its needs. The city, conceived as a greater household, also had its Penates.



Sketched from bronze figurines of Lares and Penates at Metropolitan Museum of Art, New York City

IN the days of ancient Rome every household cherished a little set of family gods on which the welfare of the family was supposed to depend.

Today the average head of a family depends on his own labors and thrift, plus something unknown to the ancients. The doubtful favors of the old pagan Lares and Penates are replaced by the certainty of modern life insurance protection issued in a variety of plans to meet different needs.

Under the Metropolitan Family Protection Plan you can arrange to have a definite monthly income paid to your wife for a definite number of years. One variation of this popular plan assures your wife \$100 a month

for twenty years, should your family be left without you during the vital years while your children are growing up. These checks will arrive regularly, at a time when most needed to keep your family together, to pay household expenses and to provide education for your children.

At the end of this Family Income period, your wife will receive \$10,000 in cash or monthly checks—as she prefers. Protection may be provided in larger or smaller amounts—according to your family's needs.

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The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



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LABOR TROUBLES REDUCED BY NEW METHOD OF PAY!

"More About Measured Daywork," appearing in June FACTORY, describes a wage payment system already adopted by many manufacturers and receiving the serious consideration of others.

Its proponents claim Measured Daywork insures quality production and meets with the popular approval of labor.

This timely article by L. C. Morrow, Editor, suggests Measured Daywork as an aid to improved efficiency and better employee relations.

As a service to executives this article is available as a reprint. Write a postcard or letter to FACTORY and your copy will be mailed without cost.

FACTORY HIGHLIGHTS IN THE JUNE ISSUE

"Rating the Job and the Man"

A 12-page special section on one of the most important phases of Industrial Relations.

"Modernization Saves 30% in Unit Costs"

"Plan Your Power Drives"

"Industry Lighting Studies"

"When Wiring Your Plant"

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Many executives welcome their plant operating men reading FACTORY regularly—that is why FACTORY has more plant operating officials as subscribers than any other business paper. We will be glad to send you a sample copy of the June issue for your inspection.

Factory
MANAGEMENT & MAINTENANCE
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nately dispose of any doubts as to transformation. While this change may have been induced in part by the President's reorganization program, the fact that several significant decisions were either rendered or formulated prior to publication of his recommendation, leaves little doubt that November's election result was a primary motivating cause.

The upshot of all this is that the Court has, for the time being at least, ceased to be an important factor in the

field of laws regulating business. In the near future, business must concern itself less with whether or not the Court will uphold the constitutionality of laws enacted by Congress or the state legislatures. The forum for thrashing out the infirmity or unsoundness of any contemplated proposals will be before the people and their elected representatives. Business must, more than ever, do a public relations job and not depend on a legal one.

Reveal New Chemurgic Products

**Amazing progress reported in industrial use of crops.
Lightweight paper can be made from flax and hemp.
Veil used to protect fruit trees.**

DETROIT (Business Week Bureau)—This city was the Mecca last week of manufacturers, scientists, farm experts, and government officials interested in advancing the industrial use of farm products through applied science. The occasion was the third Dearborn conference of the Farm Chemurgic Council, backed by Henry Ford and the Chemical Foundation, Inc. Amazing progress was reported.

Fine quality, lightweight paper used for cigarette paper, condenser tissues, carbon paper, and Bible paper can now be made from flax and hemp. Heretofore it has been manufactured from linen rags or like materials which have been imported. Establishment of a paper fiber industry from flax and hemp brings to American agriculture a desirable permanent crop because lightweight paper is not subject to sudden and violent fluctuations in demand. For paper purposes, 2,000 acres of hemp are being cultivated in Minnesota and 20,000 acres of flax in California. It is estimated that 100,000 acres should be under cultivation within three to five years, with the paper industry absorbing 15,000 tons of fiber per year. Development work thus far has been done mostly by the Champagne Paper Co. of New York.

Substitute for Leather

Gov. Francis Murphy of New Hampshire, a successful shoe manufacturer, reported to the conference the perfection of a synthetic material for shoe welts, shoe soles, bags and other uses. This material possesses greater endurance against wear and weather, greater tensile strength, and more uniformity in texture than leather, and it costs less.

Fruit trees can now take the celloveil. That is, entire trees can be draped with a garment known as the celloveil (composed preferably of ethyl cellulose or cellulose acetate) to guard them against the weather. The celloveil

is set on the top of the tree as a mantle from the rim of which falls a perforated skirt reaching to the ground. The perforations allow free access of air and in many places free access of bees but not of moths. Upon report of threatened cold, a selective spray is applied to film over the interstices, this film remaining for several days and bringing the temperature within the celloveil 5 to 20 degrees higher than the outside air. Danger of freezing is avoided, and buds or blossoms remain perfect. A celloveil for a single peach tree sells for 10¢ or less, and is made from compounds derived from cotton and wood.

Tung Oil Shooting Up

American tung oil production is rapidly rising, with 100,000 acres in the Southern states planted to tung trees. There now are four tung oil mills—at Gainesville, Fla.; Borgalusa, La.; Cairo, Ga., and Picayune, Miss. Tung oil's use in the coatings industries continues to rise. This year a harvest of some 40,000,000 bushels of soy beans is expected, output having doubled during depression years. Today over 75% of soy bean oil goes into the edible field, chiefly margarine, and paint consumption is 17% of the total (prior to 1934 it was 50%). Two new oils are looming on the chemurgic horizon—chia from Mexico, which is much like perilla, and tall oil from pine wood. Increased use of pine for manufacture of paper and cellulose for synthetic fibers creates an opportunity for tall oil as a byproduct. Tall oil is suitable in bar and liquid soap, and is a good emulsifying agent, a rubber softening agent, and a sizing agent for paper. Consumption of fatty oil in the United States has increased over 100% since the World War, but the country is producing less than half its current requirements.

Three groups of proteins in corn

NEW FRIGIDAIRE WATER COOLER WITH THE METER-MISER



FOR THE OFFICE

FOR THE HOME

15c A DAY BUYS IT...AS LITTLE AS 2c A DAY RUNS IT!



Every Frigidaire water cooler with the Meter-Miser carries a 5-year Protection Plan against service expense on the mechanical unit.

• Why put up any longer with old-way nuisance and expense? Now—at the lowest price in history—you can enjoy this new FRIGIDAIRE WATER COOLER, suitable for both office and home.

No more too-tepid or too-cold-to-drink water. This cooler places at your disposal an abundant flow—always at the most tempting, refreshing, healthful temperature. A cooling, sparkling supply available at the touch of a finger, day or night.

And the cost is actually less than for old-style methods! 15c a day buys this cooler...as little as 2c a day runs it! Because its cooling unit is the famous METER-MISER, exclusive with Frigidaire. The simplest refrigerating mechanism ever built, it cuts current cost to the bone!

Quiet, unseen, trouble-free. Comes to you with a 5-Year Protection Plan against service expense.

In addition, you enjoy dozens of other advantages never before available at such a low price: Easy cleaning, fast cooling, Cold Control temperature regulator, "Freon-114," the safe refrigerant, and many other exclusive Frigidaire features.

This cooler is available for either Bottled Water or City Pressure Connection. Choice of Bronze or White Duco finish. See it at your nearest dealer, or write Department 62-65, Frigidaire Division, General Motors Sales Corporation, Dayton, Ohio, for Free Booklet describing full line of Frigidaire water cooling equipment.



DRINK FRIGIDAIRE-COOLED WATER FOR BETTER HEALTH... GREATER EFFICIENCY



END OF AN INSTITUTION—Because Amos 'n' Andy decided that their long association with one product "should be brought to a happy end," last week they set next New Year's Day as the date of expiration for their eight-year contract with the Pepsodent Co., the longest and one of the most successful in radio history. Now Freeman F. Gosden (left) and Charles J. Correll are looking for a new sponsor.

are suitable for the plastics industry. The first can be used as a base or as a filler or agent in several kinds of plastics. The second becomes a filler or one of the components of phenolic resins or is a starting point for making alkaline coatings solutions. The third (and most promising) makes up a substance known as zein, which is an odorless, tasteless solid. Its color is white and many of its qualities resemble those of casein and shellac. It is an ideal base for plastics. About 10% of the corn kernel consists of protein.

Agrol Experiments

Progress has been made in lowering production costs of agrol (power alcohol fuel) at the power alcohol plant at Atchison, Kan., designed to manufacture a new motor fuel from farm products. It is expected that costs will be further decreased. With agrol fluid made for 22½¢ per gallon, blends with gasoline can be produced to sell at the same price as gasolines of equal anti-knock value. Raw materials experimented with are corn, rye, wheat, grain sorghum, sweet potatoes, molasses, and Jerusalem artichokes. Sugar cane tops also are suitable.

Detailed reports from newly-formed State Chemurgic Councils showed how the effort to find industrial uses for farm products is gaining support in other parts of the country.

Auto Plants Expand

Industry spends big sums for more capacity, to prepare for '38, and reduce overtime.

DETROIT (*Business Week Bureau*)—In its customary lavish way, the automotive industry is making huge expenditures for additional plant capacity and for modernizing existing facilities. It is prodded on by two considerations—it expects a big year in '38 and wants to be adequately prepared for it, and it desires to build more cars in less time than ever before to escape payment of too much overtime wages under union agreements.

General Motors has announced that Fisher's plant 1 at Flint is to have a new press room and die shop which will give it capacity for making all stampings (including steel tops) needed for bodies built there. Fisher 1 makes all Buick bodies, and convertible coupé and sedan bodies for all G.M. divisions, and it ships knocked-down parts to the Linden, N. J., and Los Angeles plants where Buicks, Oldsmobiles, and Pontiacs are assembled.

G.M.'s construction of more plant capacity at Flint has caused the industry to raise its eyebrows, because that motor city was the center of labor strife during the big strike last winter. However, some observers contend that the

corporation realizes it can't run away from unionization today, no matter where it goes, and perhaps in certain cases centralized manufacture has been found more economical than decentralized production.

Pontiac has made an outlay of \$2,800,000 for new machinery for its motor plant to bring up the capacity of its sixes. By the start of the '38 season it will be able to turn out 350,000 cars annually.

Lincoln has bought additional equipment to expand operations on the Lincoln-Zephyr which is having a whale of a year. De Soto is enlarging its stamping work and taking in some jobs heretofore done outside.

Hupmobile Cut Costs

Hupmobile is spending \$1,500,000 for materials, dies, tools, and fixtures preparatory to production of new models which will be announced about Aug. 1.

It now is completing about 300 of its old models which were in process at the time plant operations were suspended because of financial difficulties. These cars will be shipped abroad. Its new models will consist of a six and an eight in about the same price classes as Packard's six and One Twenty. Its operating expenditures have been shaken down to a level where the company can break even on 15,000 cars a year—a production goal which should be easily attained in a sellers' market.

Representatives of Ford subsidiaries in England and France are at Dearborn to buy new equipment for shipment back home. General Motors, with an eye on development of the Australian market, is considering building a motor plant there.

Initial public reception at Detroit of Oldsmobiles with the new automatic transmission (the units at first are available only in the Detroit district) is said to be surprisingly good, thus foreshadowing its success elsewhere. Overdrives are expected to be features of a majority of cars in '38. Twelve companies now are offering them as standard or optional equipment. Ford has approved the Columbia two-speed overdrive axle for optional factory installation on Lincoln-Zephyrs and Ford V-eights.

More Cleaners Want Code

CLEANERS and dyers in Los Angeles County, 1,000 strong, are following the lead of their associates in San Francisco and Sacramento in promoting city ordinances to regulate prices, trade practices, and working conditions (*BW*—Mar 27 '37, p. 33). The move is sponsored by the Retail Cleaners' and Tailors' Association of Los Angeles and is based on provisions of the state's Unfair Practices Act.



COME ONE, COME ALL—When John L. Lewis and his C.I.O. started out, the avowed intention was to organize only the mass-production industries. Gradually, Lewis has broadened his appeal to include all labor. By organizing and granting charters to many different types of workers, the C.I.O. has become in fact, if not in name, a federation. Labor observers look for the time when this new federation will attempt to gobble up the now enfeebled American Federation of Labor.

Behind the Battle in Labor

A.F.L. stiffens the fight against C.I.O., but a cold analysis of the opposing factors, some of them intangible, indicates that it's a losing one.

WILLIAM GREEN was right when he wrote in November, 1935, to one of his vice-presidents that the proposal to form industrial unions was "decidedly menacing to the success and welfare" of the American Federation of Labor. The A.F. of L. official he was writing to at the time was John L. Lewis.

The sympathies of laboring men, quite generally, are with Bill Green. In the C.I.O. there are many who know him well, who count him a friend, and who like him. They say: "Bill Green is a grand old guy. But his executive council is screwy, and they've got him in a tough spot."

Just how tough the spot is, was evident this week as the A.F. of L. came out of the Cincinnati meeting of its executive council breathing new fire against the fast-growing C.I.O. Within the ranks of the federation itself, all was not serene, and the outlook was for continued dissension. Yet Mr. Green had to obey the will of the council.

Farewell Principles

To get any place, the federation has to go into the industrial organizing business itself, and thus forsake its ancient principles of strict craft lines. If it does not do this, it must continue to watch anxiously while various groups bolt to the active, "going-places" C.I.O.

Business men who had been thinking that it might be good policy to invite A.F. of L. organizers to come in and "help stop the C.I.O." were somewhat dazed by the bitterness apparent in the

federation's opening blasts, and feared that it might not be so wise, after all, to urge the craft leaders to intensify the war. The traditional calm and reasonable policies had been tossed aside, and some indications were disheartening. Part of the federation sentiment, as voiced by Arthur O. Wharton, member of the council, didn't sit well. He said, describing the C.I.O., that it used a "gang of sluggers, Communists, radicals and soapbox artists, professional bums, expelled members of labor unions, outright scabs, and the Jewish organizations with all their Red affiliates."

Not All Fire and Fury

Such feeling represents only one side of the federation, however, and even in the council there are men who are urging peaceful solution of labor's differences. Eventual outcome of the present scrap, after a good deal of wild talk, is likely to be C.I.O. supremacy, for these reasons:

1. The C.I.O. is growing faster than the A.F. of L., and has much less division of sentiment within its own ranks, consequently can move much faster. It will be able to dictate terms, pretty largely, in the eventual settlement.

2. The C.I.O. is a labor federation itself, now, and has within it a good many craft or amalgamated-craft unions. Groups have been bolting from A.F. of L. to C.I.O. regularly since the turn of the year, and continue to do so even with the federation's latest war-cry ring-

Sightseeing WITH BAKELITE* *Building Industry*

FROM foundations to roofs it is possible to construct better, more durable buildings through the use of various Bakelite Products. In some instances Bakelite Materials are used for their strength and durability; in others for their resistance to weathering and moisture; in others for their beauty of color and finish; and in electrical work for their splendid insulating properties.

Illustrated are some of their many applications in the home building branch of the industry only. The use of Bakelite Products in Office Building, Store, Hotel and Factory construction and equipment also is becoming increasingly common.



Plywoods For Foundation Forms are bonded with a Bakelite Resin Glue which excludes moisture, makes the ply inseparable and the plywood sheet more resistant to bulging and warping.

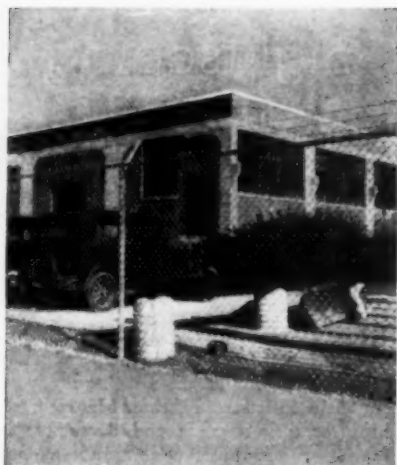


Shingles For Siding And Roofing are now made by a Bakelite Process. These better shingles are called "cementop" and may be had in a permanent white and a range of appropriate colors and textured surfaces.

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Continued on page 37



PROTECTION with the fence that can "stand the rap"

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ing in their ears. A week after Mr. Green's pronunciamento, this trend even seemed accentuated, as the Boot and Shoe Workers in New York City unanimously voted to take their 14,000 members over the line and other federation affiliates debated the move.

C.I.O. Knows Facts of Life

3. As between the two labor wings, popular sentiment has been with the C.I.O., finds its policies more realistic, more in step with the times, more likely to endure as old-time craft pride is lost in the growth of mechanization.

4. The government itself is C.I.O.-minded. It is not anti-A.F. of L., but it doesn't want the movement toward collective thought and action to be hung up on the jagged rocks of jurisdictional bitterness. Thus the outlook is for intervention, with strong pressure on the C.I.O. and even stronger pressure on the A.F. of L., to come to terms if they cannot settle their fuss fairly soon.

5. Behind the scenes, labor leaders on both sides are conferring with peaceful settlement in mind, and some of them are quite hopeful.

6. Labor itself does not want war between labor groups. This is the strongest reason of all for frustration of the aims of the belligerent group in A.F. of L. The man at the work bench wants unity, and he is definitely opposed to wasting his energies on fighting with his own kind. He wants to organize and get some action on more security, more wages, fewer hours, and other things. He is pretty cold to appeals for knock-down-and-drag-out fights with the guy who works in some other plant or some other department of his own shop.

And for all these reasons, the A.F. of L. policy must eventually be changed.

Price-Fixing Backfire

Publishers report chains advertise less. And figures are offered to show price boosts.

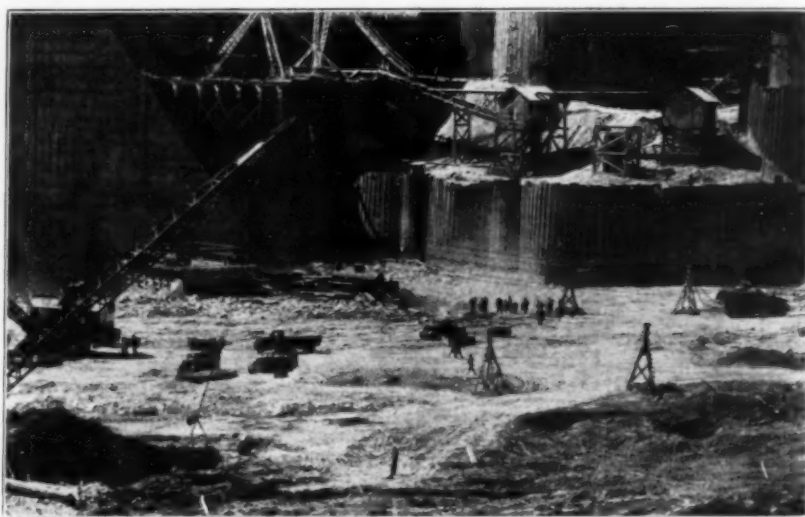
BEARING out the general predictions of marketing specialists, two of the first tangible evidences of the effect of the Robinson-Patman law and the state fair trade acts were made public last week. One came from the Bureau of Advertising of the American Newspaper Publishers' Association in a study entitled, "National Names in Chain Store Copy." The other was put forward by Q. Forrest Walker, economist of R. H. Macy & Co., New York, in a report to the Toilet Goods Association on recent price movements.

The A.N.P.A. study, comparing the advertising published by chain stores in the newspapers of 20 cities during the first two months of this year with that published in the corresponding period of 1935, showed a drop in total chain store linage of 16.9%. This decrease, at sharp variance with general advertising increases averaging about 10% for newspapers in the past two years, reflects the strangulation of advertising allowances under the Robinson-Patman law.

Fewer National Names Mentioned

Even more illuminating is the drop in the number of mentions given nationally advertised goods in chain store copy. The per cent of change in the number of mentions for various types of advertised products ranges from a -86.5% for making powders to a +25.9% for cheese, but for nationally known food products as a whole the number of mentions declined 30.6%.

Not so expected was the evidence of



DOWN TO BEDROCK—In this great cavity, 50 feet lower than the diverted Columbia River, hundreds of workers are digging and blasting to bedrock, soon to be followed by concrete crews who will pour the center foundation section of the Grand Coulee Dam. There is an average of about 5,500 men on the weekly payroll at the dam now.

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a corresponding drop in the number of mentions accorded by chains to their own private brands, but this decline, averaging 21.2%, is not at sufficient variance with the 16.5% drop in total chain lineage to indicate any significant shift in chain policies. It does underscore the special attention which chains in recent years have been according the promotion of their unbranded staples, mainly meat and fresh fruit and vegetables.

National Brands Suffer

Percentage fluctuations in the mentions given various types of private brand food products range from a -47.6% for sugar to a +113.7% for tomato juice. Private brands of tea, canned milk, ketchup, salad dressing, and cheese were also more vigorously promoted in 1937 than in 1935, indicating the lines on which national advertisers may expect intensified competition from private brands.

A comparison of the number of mentions given advertised and private label goods in each of the 17 product classifications is also illuminating, for whereas in 1935 national goods were mentioned more frequently than house goods in 10 classifications, a similar condition prevailed only with respect to cereal, flour, soup, and soaps and cleansers in the first two months of this year. In these fields national advertisers have been particularly aggressive.

Macy's Report Price Rise

Concerning the effect of the fair trade laws on price movements, Mr. Walker of Macy's reported that since New York's Feld-Crawford act, permitting resale price fixing, had been validated on Mar. 9, the prices of important drug items had advanced 16.6%, cosmetics 8.1%, and liquors 14.6%. These percentages reflect the average difference between the price at Macy's the day before the issuance of any given contract and the minimum price as specified by the producer in those contracts. All told, about 1,000 items, chiefly in these three fields, of the more than 300,000 which Macy's sells have been price-fixed under the New York law.

Pointing out that in no instance was Macy's pre-contract price below cost, Mr. Walker contended that the comparison was an accurate picture of what has happened to prices generally under the stabilization laws. The pre-contract prices at Macy's were, he said, generally in line with those in other cash-and-carry outlets, notably the drug chains. But he declared that even if allowance is made for Macy's boast that it sells at 6% less, and if its pre-contract prices are estimated at 94% of its competitors' prices, the new prices under the contracts mean a general advance throughout the trade.



Soundproof room, General Electric laboratory, Schenectady

How Science Conquers Noise

NO echoes roll, no outside noise intrudes in this chamber where G-E scientists calibrate sensitive instruments that measure sound.

These instruments, in soundproof rooms, are used to get rid of noise. They measure the whispers produced by fans. Research like this makes possible the development of new fans—fans that are quieter and more efficient—that will deliver fresh air to your offices and factories—that will provide you with year-round comfort through air conditioning.

Research on sound is helping to reduce the level of noise in shops and offices. Electric instruments, perfected in General Electric laboratories in Schenectady, trace elusive sound to its source. They locate vibrations that produce distracting rattles and squeaks. They investigate the causes of sound in machinery—make possible the development of machines that hum instead of roar—reduce noise and costs.

All over the country people are protesting against unnecessary noise. And General Electric scientists, enlisted in this same crusade, are helping to make possible for you quieter, more comfortable living and working conditions.

G-E research has saved the public from ten to one hundred dollars for every dollar it has earned for General Electric

GENERAL  ELECTRIC

Furniture Sales Up 50%

Big gain over last year is expected to continue. Consumer is buying better products. Some manufacturers urge mass production technique.

HAVING been on a lean diet for the last 10 years, the furniture industry once again has drawn a chair up to prosperity's table. Its fare isn't yet *flet mignon* and fancy desserts, but it is substantial enough so that a few pounds already have been put on, and the gain in weight the next year ought to restore the industry to robust health.

In 1932, at the depression low, factory operations averaged 26 (with 1923-25 taken as 100). They rebounded to 51 last year and today stand around 85. New orders are up 50% from '36, and have a good chance of finishing the year not far below that.

1937 Was Paradise

Because wholesale prices aren't what they once were, dollar volume isn't so impressive. The furniture business, along with the building industry, started slipping two or three years before the stock market broke in '29, hence furniture makers have their eyes fixed on the \$800,000,000 sales made in 1927 as their Paradise. The total fell to a measly \$206,000,000 back in '32, and bounced up to \$400,000,000 last year. This year ought to boost the figure mightily.

Furniture people in Grand Rapids and Chicago are inclined to pass off the failure of their spring markets this year as a freak occurrence. At Grand Rapids sales were only half the anticipated volume because, with the country suffering from the sitdown rash and the government's future policies unannounced, everybody got the jitters. Even in the face of swiftly advancing prices, dealers played safe in placing orders. Now they have recovered their equilibrium and July markets promise to yield handsome sales.

Back to Quality

Happily for Grand Rapids, which still sets the industry's styles and prides itself on making quality furniture, the consumer is buying better merchandise again. The depression unloosed a flood of cheap furniture, and the quality furniture maker either put up a battle with competitive goods or learned to make good furniture for less money, or did both. Sometimes after he had done both, or had refused to try either, he went under and never came up. At the beginning of the depression there were 3,800 manufacturers, at the end 2,500. And over 8,000 furniture dealers have gone out of business since 1930.

Though many people are talking about the "coming boom in furniture,"

the industry knows it has serious problems to solve if it expects ever to return to the preferred position it once enjoyed in sharing the consumer's dollar.

Its fortunes have been too closely tied to new home building. In years of the country's physical expansion, furniture was a necessity and was sold as such. Today the industry recognizes that a "luxury market" must be developed, because the "necessity market"

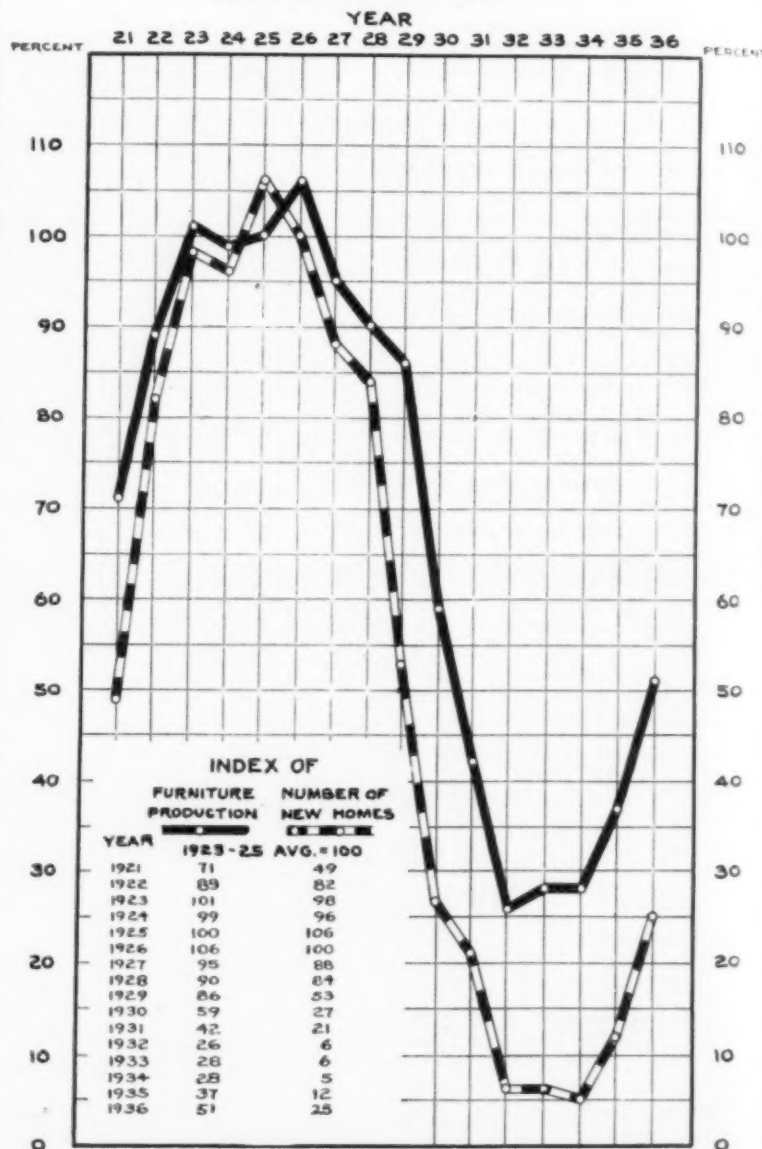
isn't big enough to furnish a profit by itself. Furniture makers must implant in the public's mind the idea that good furniture is a means to a richer, more comfortable, more satisfying way of life. Each of the two markets requires its own selling technique.

Certain alert manufacturers say that retail furniture prices are too high to attract the consumer away from other goods, such as automobiles, radios, refrigerators. At one time people thought of food, clothing, and furniture almost in the same breath. Now they think of food, clothing, and automobiles, and furniture must fight for fourth place with other household commodities.

Some furniture makers blame this situation on too high retail mark-

Seidman & Seidman

FURNITURE SALES FOLLOW HOME BUILDING



FOR MORE WORK AND GREATER SAVINGS!

SEE
GMC
THE TRUCK OF VALUE



Refinements and improvements throughout the entire GMC line assure improved performance and greater economy. As a result, GMC trucks do more work and save more money for owners. Every GMC likewise has advanced stream-style with exclusive "dual-tone" color design. Half-ton types are available with the largest standard bodies in the industry. Cab-over-engine types range in capacity from 1½ to 12 tons. All prices are extremely low. All GMC's are exceptional values.

LOW-PRICED HALF-TON
MODELS IN TWO WHEELBASES

1½-TON STANDARD MODELS AT
PRICES LOWER THAN AVERAGE

CAB-OVER-ENGINE MODELS
PRICED WITH THE LOWEST

Time payments through our own Y. M. A. C. Plan at lowest available rates

GENERAL MOTORS TRUCKS & TRAILERS

GENERAL MOTORS TRUCK & COACH
DIVISION OF

YELLOW TRUCK & COACH MANUFACTURING COMPANY, PONTIAC, MICHIGAN



**HEAT WAVE
HITS ST. LOUIS**

but it
always
misses
Hotel
Lennox

Each Lennox room with guest-controlled air conditioning... your favorite temperature at your finger tips. Each with private bath, radio, and other refinements.

RATES:
50% of all rooms, \$3.50 or less, single; \$5.00 or less, double.

350 air-conditioned rooms
Two air-conditioned restaurants

"Downtown At Your Doorstep"

**Hotel
Lennox**

9th & Washington • St. Louis
HOTEL MAYFAIR... Only One
Block Over... Same Management

ups, and say something should be done to prevent the retailer from skinning the public. Average mark-up today is 80%-100% (which is somewhat less than it was). Mark-ups on competitive goods run from 20% to 35%.

Other furniture makers, who admit that mark-ups are too high, declare wholesale prices could be reduced if the industry would modernize its production methods, throw out its obsolete, high-cost machinery, standardize some parts, do a real job of research, and adopt the mass manufacturing technique of other industries. One maker at Portland, Ore., has established assembly-line production, and can put its furniture into New York (shipping by water) at a price competitive with furniture made at High Point, N. C.

Much could be done, it is said, to reduce transportation costs by making parts near the lumber mills and shipping them knocked down to assembly plants around the country.

Industry Is Well Scattered

Those who have put fine workmanship above everything else all these years shake their heads dolefully over such ideas, and patiently insist that good furniture can't be built in a wholly mechanized factory like an automobile, but takes much handwork.

The furniture industry has no General Motors or United States Steel. The Kroehler Furniture Co., Chicago, is the biggest manufacturer, but does not have a commanding position. New York, Chicago, Jamestown, Rockford, Grand Rapids, High Point, southern Indiana, and Virginia each have groups of furniture makers. California, Ohio, and Wisconsin also are in the running. Furniture production is well scattered over the United States map.

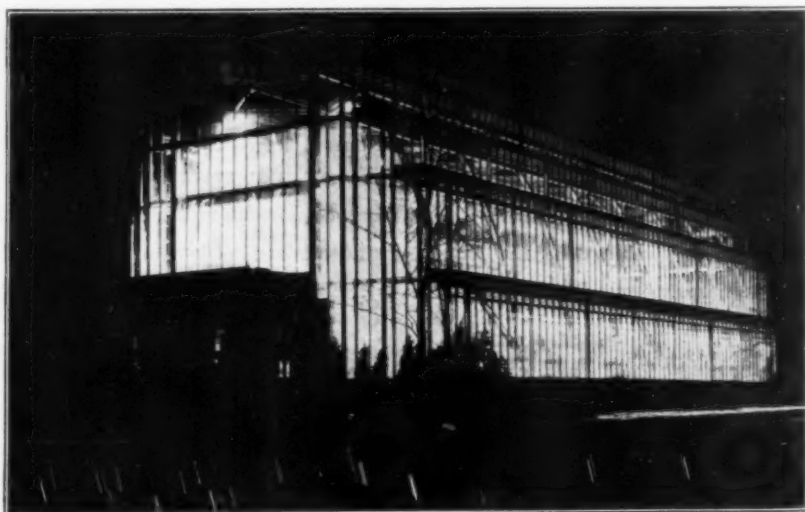
Wholesale furniture prices are 5%-12% above last January, are 10%-25% higher than a year ago. However, have risen only 19.3% since 1933, whereas all commodities are up 31% and national income is up 41.4%. Labor cost of making furniture (in relation to wholesale price) averages 25%, is 30%-40% for the better merchandise. That will go higher if the C.I.O. succeeds in its present drive to unionize the industry. Present working schedules are close to 50 hours a week; reduction to a 40-hour basic work-week would shoot labor costs upward again.

Materials make up about 44% of the cost of furniture. Materials prices appear fairly well stabilized, at least momentarily. Anyway, the industry looks for still higher prices in the inflationary period presumably ahead. Quality manufacturers are comforting themselves with the thought that as inflation comes, people will rush to buy good furniture as well as other goods.

Want Fewer Markets

Manufacturers and dealers have been arguing vehemently over the number of furniture markets to hold each year. For some time there have been markets in January, May, July, and November. Certain makers see an advantage in lopping off two of the four markets. Styles would change less often, the manufacturer would have a chance to make a little profit from one design before discarding it for a new one (cost of designing and building the first \$500 suite of a new pattern is \$2,500). The dealer too would have less risk in stocking new suites (the trade says "suits").

The score now is in favor of those who want the four markets continued,



"JEWEL BOX"—Is what they call the new Floral Conservatory at Forest Park, St. Louis, showing an interesting departure from the customary type of greenhouse. It has 16,600 square feet of double strength Libbey-Owens-Ford plate glass and is built to resist hail and a 100-mile gale. It is 55 feet high, 55 wide, and 186 long.

Business Week

principally department stores and other large buyers with relatively fast turnovers. However, a trend is noted toward the bulk of the buying being done in the spring and fall. Incidentally the big houses buy in new goods in May and November, principally for their August and February sales.

With all their troubles, the furniture people are happy over the marked recovery of their business. The big job ahead is not to get orders, but to produce enough furniture to satisfy the demand. A labor shortage impends. The recent market was reminiscent of "the good old days," with much furniture sold on "immediate confirmation" (not subject to cancellation). The industry emerged from the red last year to make a small profit and will make still more this year. It is banking not only on replacement buying, but also on a boom in housing.

Office Machine Service

New company will analyze and report on American and foreign business equipment.

A NEW service for buyers and users of business equipment is offered by Office Machines Research, New York. The company will supply subscribers with independent reports on all types of business machines and new developments in the United States and abroad.

Equipment will be analyzed by staff members. Unbiased conclusions will be sought. Prices and promotional claims are to be ignored. One machine will be compared with another of like functions. Standard reports will be furnished subscribers once a month in convenient form for loose-leaf binding. Cost of the service is \$30 a year. First report will be issued early in July.

Originator of the idea is R. W. Starreveld, a young Hollander with an accountancy background. Two years ago he inaugurated this type of service company in The Netherlands and some months ago launched an English affiliate. He is treasurer of the American Corporation which is affiliated with the foreign concerns and will exchange information with them. It is claimed that buyers here will be interested in new office machine developments abroad, especially in Germany and Sweden.

The company hopes to sign up controllers, cost accountants, office managers, and other executives in charge of buying or operating mechanized equipment. American manufacturers view the innovation with mixed emotions. Some of the larger ones will play ball, but there are skeptics who hang back. General feeling is that the basic idea of representing the machine user is sound; success will depend on the manner of its application.



MACHINING AND THREADING VALVE BONNETS ON ONE OF A BATTERY OF SPECIAL MACHINES

Craftsmanship à la 1937

ENABLES YOU TO AFFORD "THE BEST"

"IT PAYS to buy the best" is an especially sound rule when purchasing valves. They are a vital part of your building or plant... the only control over the supply of fluids, steam and gas which are so essential to your operations. Failure in this control brings trouble, costly interruptions of operations, even serious damage or injuries.

"The best" effects direct economies, too. Valves that carry-on with a minimum of repairs and maintenance effect important savings on maintenance expense. Valves that LAST materially lower replacement expense... an important consideration since valve equipment in a plant or building usually represents a large investment.

Certainly, Jenkins Valves... specified as "the best" by so many experienced operating men, engineers and architects... are bound to be a safe and wise choice for your pipe lines. And it is a choice you can

afford. While a "Jenkins" is a product of the finest materials and old-time craftsmanship, it is priced much lower than its famous quality would indicate. The reason is that a "Jenkins" is a product of an exceptionally modern plant. Twentieth century tools... many specially designed for Jenkins Bros. ...are used wherever possible to help expert workmen give you Jenkins' quality at lowest cost.

An interesting, illustrated description of Jenkins' way of valve making is given in our book, "What's In A Name". We will be happy to send a copy, and any specific data on Bronze, Iron or Steel valves. Prompt delivery of Jenkins Valves is assured by good supply houses everywhere.

JENKINS BROS., 80 White St., New York; 510 Main Street, Bridgeport, Conn.; 524 Atlantic Avenue, Boston, Mass.; 135 No. Seventh St., Philadelphia, Pa.; 822 Washington Blvd., Chicago, Ill.; Montreal, Canada; London

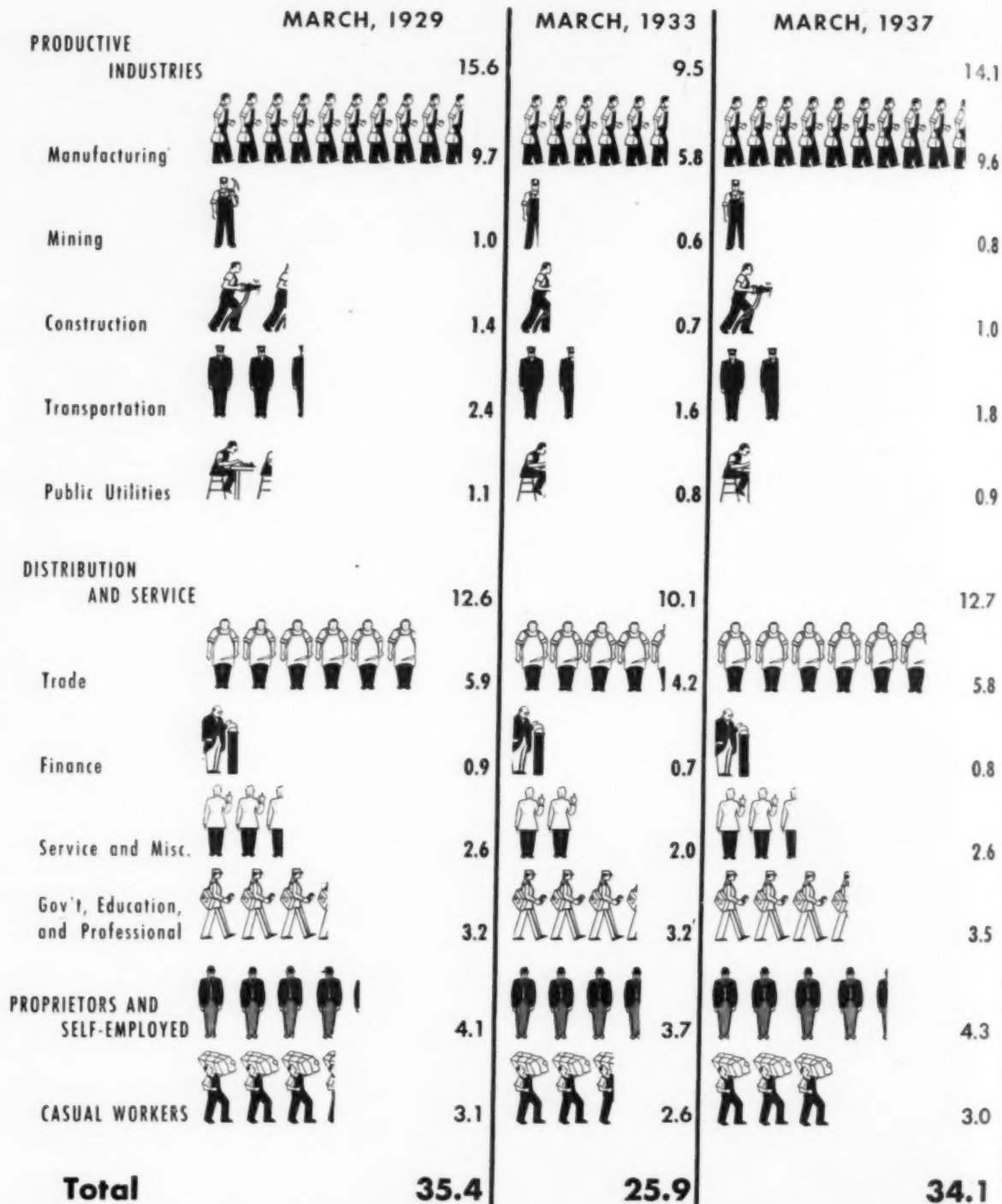
Jenkins Valves

MADE FOR LIFETIME SERVICE



HOW MANY ARE EMPLOYED AND WHERE?

A comparison of employment in non-agricultural pursuits
in three key periods—in millions.



There may be technical difficulties to counting or estimating the number of unemployed, but enumerating or estimating those actually at work is comparatively simple. This is how that picture would look. Total number of persons at work today in these divisions is only 1,239,000 fewer than in March, 1929. But jobs in the construction field are still shy of 1929 by 29%, in transportation and mining by 24%.

Data: U. S. Bureau of Labor Statistics

© BUSINESS WEEK



BIKE TRAILER—A dust-proof, 60-pound bicycle trailer, which has balloon tires, battery-operated tail lights and a midget ball and socket hitch, is the invention of two Minneapolis brothers. Less than five feet in length, the Tom Thumb trailer is expected to prove popular for light store deliveries as well as for carrying fishing and camping duffel when two-wheeling abroad.

Newsprint Prosperity

Impending reorganization of Abitibi company shows rosy effect of higher prices.

OTTAWA (Special Correspondence)—Canadian financial centers are much interested in the prospective reorganization of Abitibi Power and Paper Co. due to the all around improvement in the newsprint and sulphite industry which has followed the rapid increase in consumption, and to the price increase of \$7.50 a ton for the first half of 1938. Abitibi is one of several important newsprint companies to remain in receivership or semi-receivership.

Several plans have been proposed for its reorganization, each providing for from \$10,000,000 to \$17,000,000 of new working capital; but current reports are that English security holders (especially Lord Rothermere) feel that prospective earning power is such that sacrifice by stockholders in revision of capital structure is unnecessary. Recently the big Price Brothers newsprint company came out of extended receivership in a manner highly satisfactory to stockholders.

What the Figures Show

The newsprint industry has had a rapidly changing picture, which Abitibi fairly typifies. Abitibi's net earnings for 1935 were \$1,200,000; and in 1936 they were \$2,200,000. But on the basis of first quarter earnings this year of \$935,000 compared with \$181,000 for the same period last year, total net earnings for this year are estimated at \$4,500,000. The \$7.50 increase in the newsprint price is effective in 1938, and the various estimates of net earnings for that year range from \$7,000,000 to \$9,000,000.

With the company in receivership, market prices of its stock have gone

from 1936 lows of \$1.05 on common and \$6.50 for preferred to 1937 highs of \$15.50 and \$80. Plant capacity is approximately 550,000 tons of newsprint and 60,000 tons of bleached sulphite.

Price Brothers, with annual newsprint capacity of 340,000 tons, recently emerged from years of bankruptcy with very little dilution of shareholders' equity. Total income for the fiscal year ended Mar. 31, 1936, was \$534,000, and for the first nine months of the year ended Mar. 31, 1937, \$1,156,000. It is estimated the newsprint price increase should give it net earnings of more than \$4,000,000 on a yearly basis. Market prices of its stocks have gone from 1936 lows of less than \$3 for common and \$27 for preferred to 1937 highs of \$53 for common and \$166 for preferred.

Production Up 22%

The story fits practically the entire industry. Production and sales continue to mount. For the first four months of 1937, total Dominion newsprint production was up more than 22%. Newfoundland output jumped nearly 20%.

In a recent editorial, the Toronto *Financial Post*—which has the consumer point of view as well as the interest of the Canadian financial markets—issues this warning:

"With \$50 newsprint, the industry can earn better than 6% on capital. But already several of the manufacturers are showing a desire to follow the old principle of charging as much as the market will bear. It will take extraordinary restraint on the part of the Canadian manufacturers not to attempt to gouge the publishers, especially when it is considered that many of the leading figures in the industry today played a part in the breakdown of the industry back in 1928-30."

Sightseeing WITH BAKELITE^{*} *Building Industry*

Continued from page 27



Wall Paneling And Cabinet Tops of Bakelite Laminated are resistant to the heat, moisture, grease and wear of kitchen service. Color and finish is lasting and the customary periodical painting is eliminated.



Bath Room Fixtures with Bakelite Molded knobs and handles have many advantages. They are strong, agreeable to handle and contrast effectively with the chromium plated metal parts.



Air Conditioning Systems make use of Bakelite Materials. Valve Wheels and control parts are formed of Bakelite Molded, and cabinets and radiator enclosures of lustrous Bakelite Laminated.

*Trade Mark Reg. U. S. Pat. Off.

Bakelite Corporation, 247 Park Ave., New York
Bakelite Corp. of Canada, Ltd., 161 Dufferin St., Toronto

Continued on page 58

QUALITY WITHOUT COMPROMISE



HOWELL ELECTRIC
MOTORS COMPANY
Howell, Michigan
REPRESENTATIVES IN
ALL PRINCIPAL CITIES

HOWELL Red Band MOTORS



Just Published!

**A PREFACE
TO ADVERTISING**
BY
Mark O'Dea

Destined to be a BEST SELLER among business books

Condensed into 20,000 crystal words! . . . the practical principles of advertising that would ordinarily make a 100,000 word textbook. The very essence of a great experience, without a needless word or phrase—the 52 telegraphic chapters first published serially in *Printers' Ink* . . . so instantly and generously praised by a host of leaders in advertising and business. A brilliant essayist as well as a leading copywriter, Mark O'Dea brings an easy-to-read, original style and a "boil-down" of advertising never attempted heretofore.

"Mark O'Dea's book is without parallel in the literature of advertising."—John Benson, President American Association of Advertising Agencies.

"Here is an original idea—each chapter is fresh and interesting."—Win. S. Paley, President, Columbia Broadcasting Company.

"A \$100 course in advertising for \$2."—Harford Powell, Executive Vice-President, Kimball, Hubbard & Powell, Inc.

"An exhilarating reminder or daily reference to those concerned with advertising of the sound principles and practices which are too often overlooked or forgotten."—Paul West, President, Association of National Advertisers.

Order your copy of the *first* edition NOW—not merely to read once, but to re-read again and again. It will be a constant inspiration. Send this coupon today.

FREE EXAMINATION COUPON

McGraw-Hill Book Co., Inc., 330 W. 42nd St., N. Y. C.

Send me O'Dea's *A Preface to Advertising*, for 10 days' examination on approval. In 10 days I will send \$2.00, plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

Name

Address Position

City and State Company BW-6-5-37

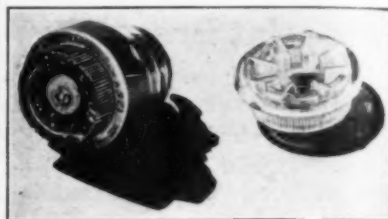
(Books sent on approval in U. S. and Canada only.)

New Products—

New processes and new designs; new applications of old materials and ideas.

MENDING dikes with the fingers of little Dutch boys is simple alongside mending leaks in equipment for handling gasoline and other petrolcums. "Protecta-Kote," a plastic cement manufactured by Non-Corrosive Products Co., 2019 Laura St., Huntington Park, Calif., is compounded to do the latter job. Repairs are said to resist temperatures to 350 deg. F.

ROTO-FUZ transparent fuse wire holders will probably get the credit for being the first injection moldings of



Business Week

DuPont Lucite on a production basis, Plastic Division of Erie Resistor Corp., Erie, Pa., makes these for Pierce Mfg. Co., Pittsburgh. High transparency, freedom from breakage, and low weight dictate the choice of material.

TROUBLE with most window awnings is that they obstruct wandering breezes while cutting off sunshine. Comes Sunvent Metal Awning Co., 3712-18 Bronx Blvd., New York, with awnings so constructed out of 4-5-in. bronze or aluminum or stainless steel strips that the strips themselves may be lifted from inside the building to let breezes percolate through. Or the awnings may be dropped flush with the outside building walls, in which position the strips may be operated like an outdoor Venetian blind. Or the whole may be raised out of the way when the sun has gone to rest.

WITH only 200 days or so to go until Christmas, it should not be too untimely to record that: (1) Sherwin Williams Co., Cleveland, is right now supplying a large manufacturer of Christmas decorations with an enamel which preserves natural holly leaves and keeps them from falling off branches; (2) American Foundry Equipment Co., Mishawaka, Ind. is ready now for Christmas weather with a new "Electromode" electrical industrial heater with aluminum heating grid cast integrally with a Calrod heating unit, a four-blade aluminum fan, and an in-

genious housing which permits the whole to be suspended from the ceiling or mounted on the wall; (3) Standard Gas Equipment Corp., Baltimore, has worked out for the "R months" a new restaurant oyster-stewer with aluminum bowl so finned on the nether side for quick heating that an oyster stew can be cooked complete in 75 seconds flat.

PRIVACY is no problem in a two-unit intercommunication system, for talker and talkee should have wills strong enough to send possible listeners-in where they belong. Privacy problems peculiar to multiple-unit systems seem now to be licked by American Carrier-Call Corp., 119 W. 57th St., New York, by new devices which permit the user to select any one of five stations and to talk to it without fear of interruption or eavesdropping. No special wiring is necessary; the devices plug in to any electric light socket or convenience outlet.

OUT of the welter of inventions calculated to overcome the defects of the common telephone cord, comes the



Business Week

"Extensicord" which "knows its place and keeps it." Instead of laying the several insulated conductors parallel and covering them with braid as in the conventional cord, Automatic Electric Co., 1033 W. Van Buren St., Chicago, braids the conductors themselves around a central elastic core in such a way that the completed cord will expand to twice its contracted length, plus, and return to normal smoothly and without kinks.

CERTAIN suggestible souls find themselves prone to couple thoughts of lifeboats and lifebelts and such with premonitions of disaster rather than safety. To these, particularly, word of the new "Chair Chute" will come as good news. As developed by Switlik Parachute & Equipment Co., Trenton, N. J., the chute is upholstered to harmonize with airplane interiors, there being no evidence of its presence other than the connector snap and "D" ring peeking out of opposite sides of the chair back. A quick tug at the hardware, and the passenger pulls shoulder straps and harness into position. Rising from the chair he finds himself equipped to become a genuine neophyte "Caterpillar."

PRODUCTS OF SPECIALISTS HAVE ALWAYS BEEN PREFERRED . . .



DRAGONS IN JADE ENRICHED THE MANDARIN'S SWORD

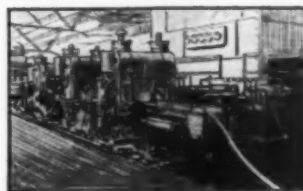
Chinese artisans, two thousand years ago, recognized the value of combining beauty and utility. Becoming specialists in design, their creative ability enabled them to combine colors and materials in such a way as to increase demand for their creations. Their individuality provided a means of surmounting competition.

Sales-creating design, today, is employed by thousands of manufacturers in the development of new products and markets—in the modernization of old products and in the revival of old markets. ACME helps manufacturers find a practical means of applying advanced industrial design.

Acme Colorstrip, Satinstripe, and Stainless afford a means of effectively combining simplified beauty with utility. Acme Strip Steels are being used economically in functional design to secure the competitive advantages of individualized colors and shapes.

Let an Acme engineer make suggestions in connection with your product development work, and for the more effective use of your particular equipment in the forming of Acme Strip Steels to meet the new requirements of progressive design.

WRITE FOR COMPLETE INFORMATION. THERE IS NO OBLIGATION.



Rolling Acme Hot Rolled Superstrip

Acme Superstrip

COLORS • STAINLESS
STRIPED



HOT ROLLED • COLD ROLLED
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Sour Quarter for New Financing

Bonds and stocks had poor market in April and May, in contrast to previous six months. There are \$400,000,000 of new issues on the fire.

BUSINESS, in need of new money, and investment bankers, ready to handle the job of raising the money, can write the second quarter of 1937 off as a great disappointment. April and May, due to jittery market conditions, were not the months in which to sell either bonds or stocks. Unless June takes a decided turn for the better, underwriters will be pretty gloomy.

As things stand now there is a total of about \$180,000,000 in bonds and preferred stock backed up in Securities and Exchange Commission registration. The commission has given the signal to go on most of these issues but market conditions just haven't been right. In addition, there are a number of borrowers looking for terms on second-grade issues who have been headed off by the recession in this category—most of them holding out for prices which they might have been able to get three or four months ago.

Big Ones Pending

Altogether, including deals announced and pending, there probably is about \$400,000,000 of new financing on the fire. A couple of sizable offerings are due within the next few days, but most are likely to be further postponed. Some which haven't been registered with the SEC probably will be held over until fall if the issuers aren't too pressed for money.

Among the sizable issues now in registry with the SEC are \$45,000,000 of American Rolling Mill Co. convertible preferred; \$47,000,000 Pure Oil Co. convertible preferred; \$30,000,000 of Commercial Credit Co. debentures; \$13,600,000 of Hackensack Water Co. first mortgage bonds and 61,500 shares of common stock; \$10,000,000 of Washington Gas Light Co. refunding 4s and \$5,250,000 of convertible preferred; \$20,285,000 of Phelps-Dodge Corp., convertible debentures.

Additional flotations that are due to come on the market in the not too distant future are the big refunding program of Union Electric Light & Power Co.—possibly as much as \$80,000,000—and a \$25,000,000 issue of New York Telephone Co. 3½% bonds to pay off \$25,000,000 of preferred which has been called.

Despite the present slowness of the market, demand is not altogether lacking. Most of the pressure on bond prices has lifted; banks and insurance companies are nibbling again. Dealers' shelves are pretty well cleaned off.

As a matter of fact, there are stories of the big insurance companies bidding directly on some of the large prospective issues. One deal of this sort has been virtually completed in the case of Kimberly-Clark Corp.'s \$10,000,000 bond issue, which awaits only stockholders' approval. Others are believed probable, particularly in view of the relaxation of New York laws governing the investments permitted insurance companies.

A Different Market

Nevertheless, the character of the market has changed pretty drastically from that which existed in the final quarter of 1936 and the first three months of 1937. Conditions today, for example, present a fairly sharp contrast with those described in the interim report of the Investment Bankers Association of America's committee on industrial securities.

Confined strictly to industrial flotations, this report notes that total sales of securities for the six months were about \$680,000,000. Such volume, the committee says, was at about the same rate as in the preceding nine months and constituted about 30% of all corporate financing.

However, the I.B.A. group finds some distinct shifts in the favored medium for raising money, conspicuously the increasing amounts of common stocks finding their way onto the market. While common shares constituted only about 10% of all industrial financing in the first nine months of 1936, they made up 41% of the total, or \$278,000,000, in the six months ended Mar. 31.

More Convertible Issues

In addition, the tendency to sell preferred stocks which are convertible into common has become more pronounced. In the six months to Mar. 31, this type of security made up 25% of all industrial offerings.

The reasons for the increased use of common stocks and convertible preferreds, the committee points out, clearly were rising equity prices and increasing earnings.

A sharp rise in financing for "new money" also is noted by the committee which reports that 63% of the six months' total was in this category compared with 30% in the first nine months of 1936. And, in this connection, a warning is sounded about paying out all or most of profits to dodge the undistributed earnings tax.

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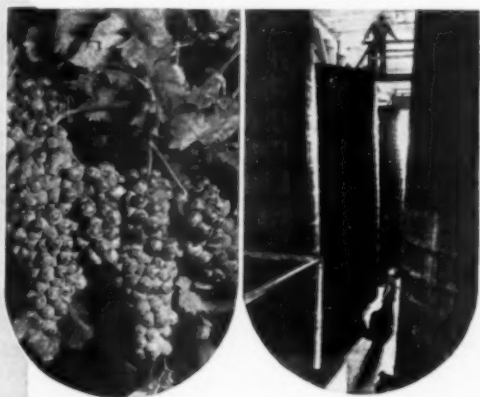
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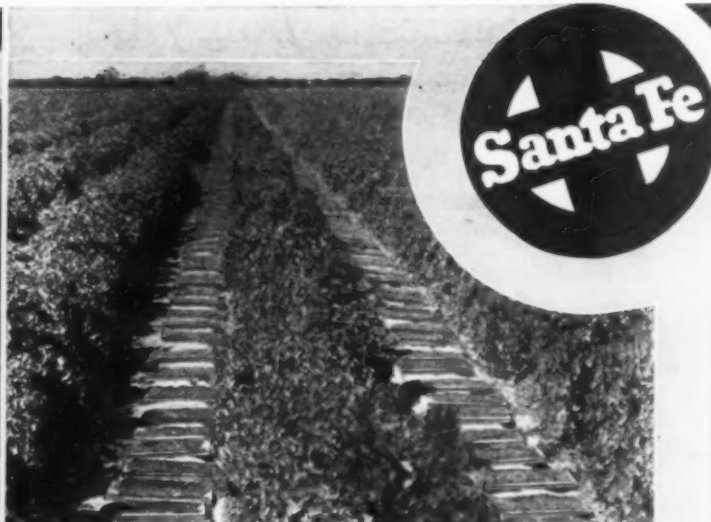


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Big Companies Simplify Setups

This tendency is particularly strong in utilities, because of "death sentence" clause. But 1936 tax law spurs simplification in other fields, too.

ONE way for business to cut down costs is to introduce machinery, and another way, under certain conditions, is to get rid of it—corporate machinery in this case.

Samples of action taken or planned to simplify corporate structure in recent weeks were the absorption of a group of subsidiaries by United States Steel Corp.; the proposals for eliminating Allegheny Corp. in connection with a general "unscrambling" of the Van Sweringen companies; the Securities and Exchange Commission's approval of financing for the merger of several units in the North American system, and the announcements of various public utility companies that more unnecessary units have been cut out.

Likely to Continue

There has been a tendency in this direction for years, and since 1935 it has been intensified. It is likely to continue, particularly in public utilities.

In its annual report for last year, the Public Service Commission of New

York State pointed to the consolidation trend. The commission saw to it that the movement was accompanied by a sharp reduction in fixed capital figures. "The various unifications during the last 18 months," the commission declared last February, "witnessed the most drastic cleanup of fixed capital structures in the history of utility regulation in New York State since the commission was established in 1907." It estimated that the eliminations will exceed \$100,000,000.

Back of the mergers, consolidations, and stock acquisitions, are these causes: (1) reduction of taxes, federal or local; (2) operating economies; (3) savings in interest through issuance of "consolidated mortgage" bonds or general-credit-of-the-corporation debentures; (4) the policy in favor of simplification embodied in Sec. 11 of the federal Public Utility Act of 1935; (5) the requirement for registration and filing of information by utilities with the SEC; (6) the general criticism of complexities that befuddle investors.

Under the Revenue Act of 1936, out of the dividends received by a parent company from its subsidiaries, 15% (contrasted with the former 10%) is subject to the normal corporation tax, and 100% to the undistributed earnings surtax. The increase has lately stimulated corporate simplification.

Niagara Hudson and Consolidated Edison of New York are among the utilities that give tax reduction as one of their motives for simplification. When the stockholders of Consolidated Edison met a couple of months ago, they learned that largely through simplification measures, around \$2,300,000 in taxes would be saved in 1937 over 1936.

To Cut Tax Bill

The tax motive also came up a few months ago when the Greyhound Corp. got the Interstate Commerce Commission to let it consolidate a number of its subsidiary bus lines into a few integrated corporate units. Greyhound said the mergers were in line with its effort over several years to simplify corporate structure. It also declared it would save money by introducing through operation of buses on certain lines, cutting down legal work, and simplifying accounting procedure.

Along with the cleanup of subsidiaries, refunding and reorganization have often been undertaken, making possible savings by the exchange of one set of obligations for another at lower interest rates, and the replacement of preferred stocks with lower yield securities. When the Commonwealth Edison Co. detailed its financial plans last winter, one of its arguments was the general improvement in the "overall credit position" to result from the reorganization of capital structure.

Among the utility systems which have been contemplating refunding operations in connection with corporate simplification is the Niagara Hudson Power. The Consolidated Edison Co. of New York, in its application to the Public Service Commission, said that by acquiring practically all the capital stock of New York Steam Corp., it would achieve operating economies and savings through refunding of the affiliate's obligations.

Utility Act Pressure

The Public Utility Act of 1935 is an important factor, even with constitutionality still in doubt. For utilities Sec. 11 is the "death sentence" clause, for the government the "simplification" clause. It gives SEC the job of examining the corporate setups of registered holding companies and subsidiaries to see what eliminations can be made, and of requiring after next Jan. 1 that such companies, following hearings, simplify corporate structure if the commission finds it in the public interest.

When the Mohawk Hudson Power

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Corp., an intervening subsidiary, was merged with the Niagara Hudson Power Corp. not many months ago, it was declared that this action would be in accordance with the intent of recent federal legislation. Similarly, the Standard Gas & Electric Co., though it has refused to register with the SEC, says its simplifying policy is in accord with the spirit of the act.

The registration provisions of the act prescribe detailed reports of financial structure which are subject to the scrutiny of the SEC and the general investing, consuming, and working public. Hence some companies tend to cut out superfluous corporate entities and simplify their organization.

Power Systems Change

Some of the utilities that have been following simplification policies—which didn't necessarily start with the 1935 utility law—are the Associated Gas & Electric Co., Consolidated Edison Co. of New York, Niagara Hudson Power Corp., Pacific Gas & Electric Co., Columbia Gas & Electric Corp., and the Commonwealth Edison Co.

Associated Gas & Electric, which had merged or otherwise disposed of 335 subsidiaries from 1932 to last June, raised the number of eliminated units to 345 this May with the merger of Reading Coach Co. and Reading Street Railway. The general objective is a system in which not more than one subholding company will in general intervene between the top and any operating unit. The system, which inaugurated its simplification policy before the public utility act, has refused to register with the SEC.

In the Consolidated Edison system, the New York Edison Co. and the United Electric Light & Power Co. were consolidated in August, 1935, three gas companies merged last June, seven more units were brought together in December. In recent weeks Consolidated Edison's acquisition from minority interests of additional New York Steam Corp. common brought the company's holdings to over 96% of the total outstanding.

Cutting Down Units

Consolidations have cut down the number of corporate units in the Niagara Hudson Power system from 59 at the end of 1929 to 35 last February. Moreover, this May hearings on application for merging 14 of the system's operating units were being held by the Public Service Commission. Early in the year a new Niagara Hudson Power Corp. was formed by the merger of Mohawk Hudson Power Corp. and Niagara Hudson Power. This meant a saving of \$1,300,000 through refunding operations, it was announced.

Pacific Gas & Electric dissolved 15 subsidiaries last year and had by the

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Monument Works in "Lone Star State." At Jacksonville, Tex., the owner of a memorial-cutting plant found purchased power costing him as much as \$80 a month. Now a "Caterpillar" Diesel, through air compressor and shafting, runs surfacing, polishing, lettering and sand-blast equipment for about one-fourth the former cost.

Dredging near Houston.

On a channel-lengthening job, two "Caterpillar" Diesels (125-hp. and 44-hp.) industriously—and at record low cost—operate mud-cutter and furnish current for lights, dredge-swinging motor and main-pump primer. Engines use low-priced Diesel fuel and utilize it so sparingly that no other types of power sources can approach them for economy.

Flour and Feed Mill Makes Record. Driving eight pairs of rolls, packers, bleachers, agitators, feed mixer, redressing reel, cracking machines, cleaner, scourers, wheat and tempering conveyors, a "Caterpillar" Diesel has thus far given an Abernathy, Tex., milling company 18,000 hours of service at an overall running cost of less than 17c an hour. Through power-bill savings this engine paid for itself well within the first three years of its operation.

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WORLD'S LARGEST MANUFACTURER
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first of this year reduced the number of underlying and subsidiary bond issues to 6 from 36 in 1930. Completion of the plans for recasting the financial setup of the Commonwealth Edison groups would mean sharply cutting the ratio of the public's holdings of bonds and preferred stocks to total consolidated capitalization.

In other industries, General Motors Corp., National Distillers Products Corp., and United States Steel Corp. are among the simplifiers. G.M. has dissolved half a dozen subsidiaries and is operating them as divisions. Mergers have made National Distillers primarily an operating instead of a holding company. United States Steel recently bought the stock of four units from

their parent concern, the Oliver Iron Mining Co., a Big Steel subsidiary. In 1935 it formed the Carnegie-Illinois Steel Corp. out of the Carnegie Steel Co. and the Illinois Steel Co., and last summer it merged the American Sheet & Tin Plate Co. with Carnegie-Illinois. United States Steel has been tending to realign its organization on the basis of geography rather than products.

When utilities seek corporate simplification, public officials raise the question whether the new setup will be easier or harder to regulate. The New York Public Service Commission says, "Mere size is a handicap to regulation." It demands proof that the proposals are really in the public interest.

Must All Drivers Insure?

Three plans for compulsory liability policies are up for debate, two already in use. Choice is important to insurance business and car sales

THIRTY-FIVE years ago this month, one Ralph C. Emery walked into the offices of the Boston Insurance Co. and made an unprecedented request—he wanted to insure an automobile against fire. There was nothing in the insurance laws to cover the case. Nobody had ever done it before.

Finally it was decided that it could be arranged as inland marine insurance. The form was what was known as the "Boston Schooner Form" under which goods in transit on the railroads could be insured against fire or other damage.

Out of that has grown a business running into hundreds of millions of dollars in premiums and claims every year. But the big business today is to protect the driver from his responsibility for injury to somebody else.

One in every four cars on the road now carries liability insurance for personal injury claims. That means upward of 7,000,000 cars are insured. Most of them carry the customary "five-and-ten"—\$5,000 maximum indemnity for injury to one person, \$10,000 for more than one person. Thus, at a maximum of \$10,000 liability on the insurers in any accident, the companies have a contingent liability this year running to the staggering figure of 70 billions.

Yet 75% of the cars on the streets and roads of the country are not covered for liability; many of these are "judgment proof." That's why "financial responsibility" is a live topic of the day.

Three plans are now much discussed in insurance circles with a view to protection of the public. Latest debate was at the Atlantic City insurance conference of the American Management Association last week. Reduced to their simplest terms, these are:

1. The Massachusetts law providing for compulsory insurance before license plates will be issued. The driver must be proved at fault for the victim to collect.

2. The compulsory insurance plan whereby the victim of an accident would be indemnified in a form of compensation modeled after industrial compensation laws, regardless of who was responsible for the accident. (This form of insurance is not yet in force any place in America.)

3. The "financial responsibility" or "safety-responsibility" plans, now in force in 29 states, the District of Columbia, Hawaii, and eight of Canada's nine provinces. This plan requires the negligent or careless driver in an accident, or the driver convicted of a serious traffic violation, to take out insurance or stop operating his automobile or truck.

Gets "One Bite"

Weightiest support, as indicated by wide acceptance, is for the third of these plans. The American Automobile Association, the insurance companies, and many state authorities are behind it.

The biggest weakness is that, like the dog who hasn't been proved vicious, it gives the operator of a motor vehicle "one bite." He isn't required to take out insurance, to post tangible evidence of his financial responsibility, until after someone has been hurt. An effort to rectify that weakness is a new plan for a state commission to investigate and suspend his registration if the driver is found responsible for an accident, pending the outcome of litigation.

Many weaknesses are attributed to the Massachusetts compulsory insurance

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Business Week

FIRST AUTO RISK—It was on a car like this that the first automobile insurance policy was written. The owner protected himself against its burning up, through the Boston Insurance Company.

law. Out-of-state cars aren't covered. Political pressure for lower rates has resulted (a) in agents' commissions being slashed from a maximum of 25% to 12% and (b) in elimination of the driver's responsibility for "guests" injured in an accident in which he is at fault. Claims and judgments have increased because an insurance company is viewed as Santa Claus.

All in all, half a dozen Massachusetts companies have failed and the carriers have taken a loss of something more than \$16,000,000 in the 10 years the law has been in effect.

Hasn't Cut Buying

Yet the Massachusetts law hasn't aroused anything like the hostility which greets the compulsory insurance idea to provide continuing compensation for the victim of an accident, regardless of who is at fault. Massachusetts rates haven't gone up much, so they haven't discouraged motor car buying. But the compensation plan, it is freely estimated, would boost the cost of insurance 60%-100%, and that wouldn't help the automobile industry.

If insurance is sold on the instalment plan, many policies are canceled. In Massachusetts, despite strenuous police efforts, it is estimated that upwards of 6,000 cars are on the roads with lapsed insurance.

False claims, malingering, collusive claims, and other frauds would be expected under the compensation plan. It would be about 50% ineffective unless all the states adopted it. Basis for determining the amount of compensation is seriously challenged (most proponents advocate an earning power plan).

Some plans for compensation urge a state fund either to handle the job or to compete with the insurance companies. None, so far, advocate a state fund to be run from taxes rather than premium income.



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"Another time the boilers were shut down for repairs and there was no hot water for shaving—which condition didn't bother him at all."

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Are you still using old-fashioned methods of shaving? The Schick will give you quick, close shaves. You use no lather. It has no blades. You cannot cut or scrape yourself. And, in time, it gives you a new skin to replace the blade-calloused tissue of your face.

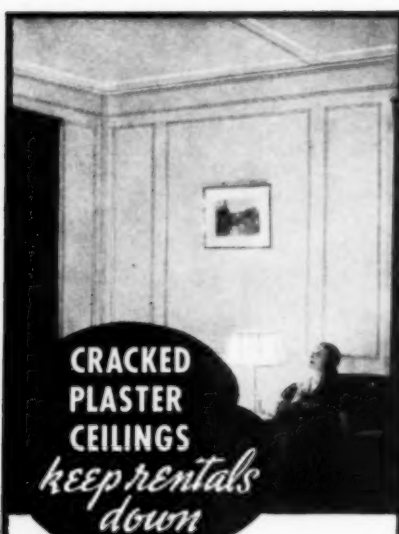
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Builders Rap Costs

Home-erecting men form Guild to get price and wage concessions, and curb architects.

IF J. C. Nichols, Kansas City's No. 1 home-builder, wants to buy 1,400 radiators, he must pay distributors' prices, though he will get a discount for cash. If Hugh Potter, top builder of Houston, Texas, wants to buy 500 bathtubs, he, too, must deal with a distributor. Both must pay the same wage scale for carpenters, bricklayers, plasterers, painters, and other labor that contractors putting up skyscrapers pay for those same classes of labor. But all this will be changed if the Home Builders' Guild, set up by the country's top speculative builders as an arm of the National Association of Real Estate Boards, puts over its program. Others who will get hit are the salesman and that high-toned fellow whom Americans have been taught to look up to—the architect.

"Building Department Stores"

Nichols, who built Kansas City's Country Club and Sunset Hill districts, and Potter, who developed Houston's River Oaks section, are two of the prime movers in the Guild. They have learned lessons since the fat period following the World War, when they built homes solely for the wealthy and the well-to-do. In recent years they have operated "building department stores," with wide price ranges to fit every pocket-book. They have found that the cost of home-building is too great for most people to bear, and they are out to cut off what they describe as "a mountain of needless cost."

The things the builders want chiefly are (a) to buy directly from manufacturers, and (b) to get wage differentials for home-building as compared with work on office buildings, where a higher degree of skill is sometimes required and the risk to life and limb is greater. They also would appreciate it if manufacturers would spend less money on salesmen. Finally, though most of them have already deflated the architect by making him do what they tell him to do, they are toying with the idea of deflating him still further by telling the public (a) that the fine old Colonial homes of a bygone day were built without benefit of architects, and (b) that the architects change fashions every year or so for reasons that have nothing to do with art and are no more free from considerations of self-interest than their own reasons for building houses.

Have Fight on Hands

The builders know the distributors aren't going to step out of the picture voluntarily. They know union labor and the manufacturer's salesman are

going to yell. They know that architects will write essays for architectural and literary magazines telling about the "monstrosities" they are putting up. But they hope to win their fight through the good old American dollar. They say they don't care whose radiators or whose bathtubs they use, and that they will buy from manufacturers who play their game. In talking to union labor about wage differentials, they will have something to say about pre-fabrication; and they mean to use pre-fabrication wherever they can cut costs by doing so.

Who's Who in Guild

The Guild will set up headquarters in the office of the National Association of Real Estate Boards in Chicago. It has a membership of 30 No. 1 builders scattered over the country. Its founders don't want a large membership, though they recognize that numbers up to a certain point will be helpful. Two hundred members will be quite enough, they say, at any time.

The president is Charles S. Wanless, home-building king of Springfield, Ill. Guild fireworks will be directed by a governing council consisting of Wanless, Nichols, Potter, and John McC. Mowbray, of Baltimore; Waverly Taylor, of Washington; and Hugh Russell, of Seattle.

Home-Building Costs

Construction higher than last year, but rising wages and prices tend to check it.

IN adjoining columns, *Business Week* presents a convenient bird's-eye picture of the home building market in the first quarter of this year and last by states and geographic divisions. The situation for the years 1936 and 1935 was presented in a previous issue (*BW*—Feb. 27 '37, p.29). These records should show distributors and manufacturers of building materials and equipment where the prospects are best and where poorest.

Out of the 45,154 new dwelling units scheduled for construction in the first three months of this year, 25,993 represented one-family homes, a 67% increase over the same period of 1936. Homes in apartment structures numbered 16,479, a 119% increase over the first quarter of 1936, while 2,418 dwelling units were scheduled for two-family structures, a 105% increase over 1936.

Particular interest is being focused on the home building market just now, because the latest evidence for the first half of May discloses an unexpected slump in the rate of new construction as compared with the preceding month. Rising costs are blamed. Skilled labor in construction is commanding the high-

Home Building—Where, How Many, and How Much

(Based on permits in all cities of 10,000 population or more in the first quarters of 1937 and 1936)

States by Regional Groups	Number of Homes 1937	1936	% Change	Total Value (in thousands) 1937	1936	% Change
New England	2,100	698	+201	\$10,680.8	\$4,075.9	+162
Maine.....	81	23	+252	261.6	62.5	+319
New Hampshire.....	47	12	+292	134.4	22.9	+487
Vermont.....	21	5	+320	107.7	33.0	+226
Massachusetts.....	1,277	379	+237	6,644.1	2,526.1	+163
Rhode Island.....	248	92	+170	1,050.1	339.2	+210
Connecticut.....	426	187	+128	2,482.9	1,092.2	+127
Middle Atlantic	16,993	6,174	+175	65,248.8	25,014.6	+161
New York.....	14,571	5,019	+190	51,945.0	18,079.3	+187
New Jersey.....	816	441	+85	4,875.4	2,780.7	+75
Pennsylvania.....	1,606	714	+125	8,428.4	4,154.6	+103
East North Central	4,740	4,186	+13	27,341.7	28,182.0	-3
Ohio.....	1,304	1,546	-16	7,410.5	10,912.3	-32
Indiana.....	373	148	+152	1,553.1	677.4	+129
Illinois.....	894	265	+237	6,286.0	1,756.5	+258
Michigan.....	1,816	765	+137	10,251.6	4,590.2	+123
Wisconsin.....	353	1,462	-76	1,840.5	10,245.6	+80
West North Central	1,452	937	+55	5,591.0	3,578.5	+56
Minnesota.....	260	119	+118	1,098.5	576.9	+90
Iowa.....	173	99	+75	829.6	372.7	+123
Missouri.....	553	460	+20	2,099.7	1,831.5	+15
No. Dakota.....	17	2	+750	55.6	4.7	+1083
So. Dakota.....	42	25	+68	79.4	38.7	+105
Nebraska.....	147	50	+194	560.5	187.1	+200
Kansas.....	260	182	+43	867.7	566.9	+53
South Atlantic	5,787	3,625	+60	19,548.9	12,133.3	+61
Delaware.....	87	15	+480	456.2	75.4	+505
Maryland.....	525	214	+145	1,950.0	849.1	+130
Dist. of Columbia.....	1,723	1,249	+38	6,184.6	4,427.6	+40
Virginia.....	508	343	+48	1,932.6	1,403.8	+38
W. Virginia.....	210	122	+72	812.1	412.4	+97
North Carolina.....	672	284	+137	1,907.1	798.0	+139
South Carolina.....	308	183	+68	820.4	436.4	+88
Georgia.....	454	194	+134	1,129.8	482.5	+134
Florida.....	1,300	1,021	+27	4,356.1	3,248.1	+34
East South Central	1,267	456	+178	2,655.4	1,295.5	+105
Kentucky.....	183	114	+62	532.1	432.7	+23
Tennessee.....	360	193	+87	901.6	493.1	+83
Alabama.....	312	109	+186	581.0	216.6	+168
Mississippi.....	410	40	+925	640.7	153.1	+318
West South Central	3,504	2,702	+30	10,448.6	7,216.6	+45
Arkansas.....	85	74	+15	218.9	237.5	-8
Louisiana.....	435	235	+85	1,327.7	717.9	+85
Oklahoma.....	580	415	+40	1,943.5	1,358.2	+43
Texas.....	2,404	1,978	+22	6,958.5	4,903.0	+42
Mountain	903	544	+66	3,194.2	1,974.2	+62
Montana.....	60	78	-23	186.2	170.7	+9
Idaho.....	48	38	+26	140.2	108.1	+30
Wyoming.....	43	33	+30	159.5	151.3	+5
Colorado.....	315	174	+81	1,323.8	795.5	+66
New Mexico.....	129	53	+143	328.3	165.1	+99
Arizona.....	103	73	+41	352.1	229.5	+53
Utah.....	179	58	+209	505.1	170.9	+196
Nevada.....	26	37	-30	199.0	183.1	+9
Pacific	8,408	5,065	+66	30,750.5	17,975.5	+71
Washington.....	480	259	+85	1,495.9	819.8	+82
Oregon.....	465	148	+214	1,685.5	528.0	+219
California.....	7,463	4,658	+60	27,569.1	16,627.7	+66
UNITED STATES..	45,154	24,387	+85	\$175,459.9	\$101,446.1	+73

Business Week

est rates since 1931, or \$1.327 per hour. Common labor at 64¢ per hour has reached a new all-time high. All materials are climbing upward. *Engineering News-Record's* cost index in heavy construction is back to the post-war inflation level of 1920.

On the other hand, the backlog of required homes, the rising trend of rents, and the increasing ability to pay that is evidenced by higher wages, would seem to suggest that the building boom is not scheduled for a severe frost yet. The margin over a year ago may narrow considerably from the one shown here for the first quarter—may slip to 35% for the second, to 20% for the third, and 10% for the last quarter—and still yield a billion dollar home building year. But the cost situation warrants watching.

Develop Illinois Oil

Five companies pushing plans. Pure Oil's new well producing 2,500 bbl. a day.

WHILE corn-and-potato farmers stopped plowing to talk of oil royalties, five oil companies (Pure Oil, Ohio, Gulf, Shell, and Carter, the last a subsidiary of the Standard Oil Co. of New Jersey) this week pushed plans for further development of the new oil field in southeastern Illinois. Pure Oil's new well (BW—May 29 '37, p. 48), originally described as "a minor gusher" likely to produce "several hundred" bbl. of oil daily, was producing 2,500 bbl. Before engineers curtailed the flow to make production orderly, oil shot up at the rate of 3,000 bbl. daily.

Olney, county seat of Clay County and Pure Oil's field headquarters, bears more than a remote resemblance to a California town during the gold rush of '49. Full knowledge of how big the new well is, coupled with arrival of the first royalty checks for oil taken from the two 150 bbl. wells brought in earlier by Pure Oil, has excited farmers and merchants. An influx of oil company employees, both field men and producing executives, fills the town. Twenty-five seismograph crews are at work in the field, and from now on all companies will seek to make their leases productive.

Better Chance Now

Current activity stems from three facts. One is that the companies want production nearer the big consuming markets of the Middle West and East. Another is that with East Texas no longer "blowing its head off," oil reserves are lower and increased production in the Middle West is somewhat more practicable from a marketing standpoint than it was a few years ago. Finally, all companies, under the terms



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of their leases, may be confronted with a situation in which they will be compelled to drill or pay out money to farmers to compensate for real or theoretical drainage.

Though Pure Oil built a refinery at Midland, Mich., after its development of the Michigan fields a few years ago, it has no plan to put up a refinery in southeastern Illinois. The company has refineries at Toledo and near Newark, Ohio, and at Charleston, W. Va., all of which are accessible by pipe lines which almost touch the Illinois field. Moreover, if desirable, it can exchange oil on a dollar basis with some company which needs oil in Illinois.

The story of the company's strike begins back in 1929, when Pure Oil geologists studied a state geological department bulletin giving information

about old borings prior to 1909, when Illinois ranked third in value of oil produced. Pure Oil geologists, looking at a map of Illinois, drew a ring around Clay, Wayne, and Richland counties, and the company began surface explorations.

Early last year the Ohio Oil Co., which beat Pure Oil to production by bringing in some small wells near the Indiana line, got into the picture—and under Pure Oil's hide. Ohio, however, didn't have a ring around Clay, Wayne, and Richland counties. So Pure Oil put twenty-five men into as many Ford cars, and in a single day leased about 250,000 acres in the three counties. Drilling began early this year, and Pure Oil's first well (BW—Mar 20'37, p50) came in this spring, followed shortly by a second.

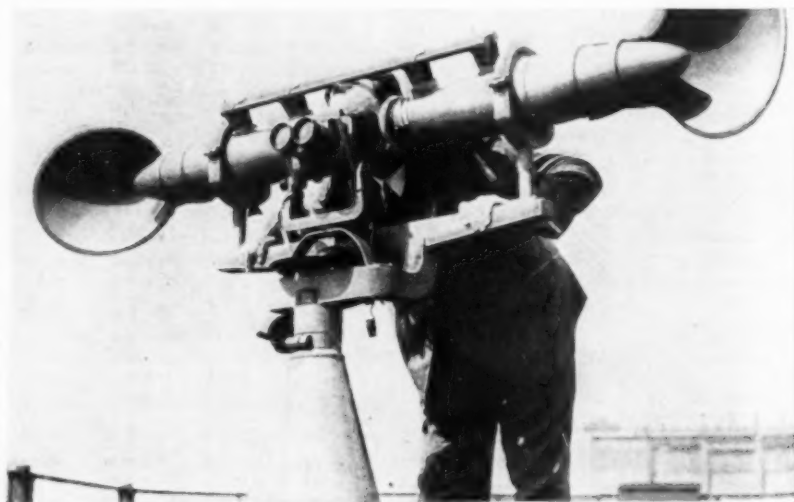
Cosmetic Men Buck Nuisance Tax

At annual meeting they indicate hope of repealing or cutting excises. Also demand that Federal Trade Commission withhold ban on trade practices.

DEATH and taxes stalked the second annual meeting of the Toilet Goods Association in New York City last week. The death was that threatened to certain venerable trade practices by various governmental developments on both the state and national fronts; the taxes were those which have sat inflexibly upon the neck of the industry as it has marched from its depression low into the recovery era with a sales volume of about a quarter of a billion dollars. And the once bright prospect that the industry might this year unsaddle old man nuisance tax dimmed Mar. 15

when federal tax receipts fell far below the anticipated yield. More recently they seemed virtually extinguished when Chairman Doughton of the House Ways and Means Committee introduced a resolution providing for a two-year extension of the manufacturers' excise taxes, first enacted in 1932 and yielding over a third of a billion dollars.

But the cosmetic makers aren't giving up hope. They have their fighting plans made and they are keeping their powder dry until legislative developments suggest the appropriate tactics. Those tactics might ordinarily be assumed to



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have an effect about equal to a flea bite compared with the mule's kick which such other trade interests as gasoline refiners, radio set manufacturers, and mechanical refrigerator producers are expected to make against the taxes, but the cosmetic men have a powerful ally in the American woman who objects to paying more for the beauty that is no longer a luxury but a necessity. The sympathetic attitude toward cosmetics, which reportedly prevails both in Congress and the Treasury Department, is traceable to her good offices—and incidentally, those of an adroit Washington counsel.

At the hearings, scheduled for the near future, cosmetic men expect no special treatment, but they have high hopes of duplicating on the floor of the House what jewelry or fur interests accomplished last year. The jewelry tax was abandoned altogether, and the fur tax was reduced to 3%, with furs under \$75 being sold tax free. Cosmetic manufacturers are now assessed 10% on perfumes, hair oils, and powder, and 5% on dentifrices, mouth washes, and toilet soaps. Failing in their efforts to secure elimination or reduction of their taxes, they hope at least to secure from the Bureau of Internal Revenue regulations which will temper the rigors of the tax.

Protest to FTC

Concern over the threatened demolition of long standing trade practices involving the payment of push money and the furnishing of demonstrators as sales clerks took the form of a vigorous protest to the Federal Trade Commission, demanding that that body withhold promulgation of the fair practice agreement, containing the above prohibitions as specified by the commission, until the legality of the practices under the Robinson-Patman law have been formally determined. Trade circles believe that that determination is likely to be achieved in stipulations which four big cosmetic companies are presumably negotiating with FTC in settlement of the complaints against them for violation of the R-P law.

The industry has existed so long under the shadow of federal regulation that enactment of a food, drug, and cosmetic law would be regarded more as the fulfillment of a promise than the accomplishment of a threat. Sen. Copeland, toward whose bill the association has demonstrated somewhat more favor than toward the Lea proposal, was on hand to commend the industry for having put its house in order before legislation compelled such action. This the industry has set about accomplishing through its six-month-old Board of Standards, organized to keep check on the integrity of cosmetic products and their ingredients and to effect an advertising control adequate to eliminate un-

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The scientific portion of the work thus far has been confined to a study of allergy, leading to the policy of banning "non-allergic" claims and to the recommendation that the American Medical Association take similar action, and to an exhaustive study of the rôle of vitamins in cosmetics leading to the following tentative conclusions:

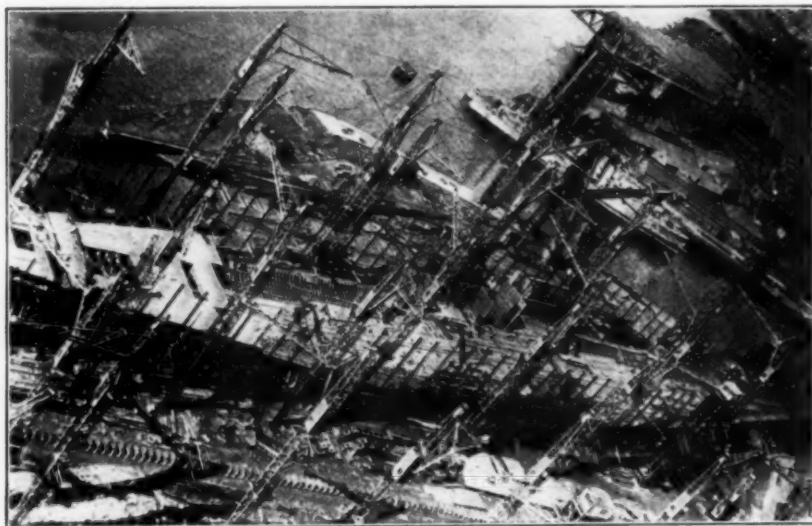
(1) That vitamin A cannot be absorbed unless there is some lesion of the skin.

(2) That "no satisfactorily controlled experimental work has been done which would show any value of vitamin D to the skin." (The board, however, takes cognizance of the work done by Dr. Walter Eddy, director of the Good Housekeeping Institute.)

(3) That no one should "deceive himself or be encouraged to deceive others as to the miraculous and necessary value of the so-called vitamin F."

Hope to Stem the Tide

The board hopes its work will do much to offset the wide variety of charges which have been preferred against the cosmetic industry in consumer publications in the past two or three years and to stem the rising tide of state legislative threats—both those of the straight food-and-drug bill variety and those seeking to exercise control by registration. The Supreme Court's recent decision upholding the Maine cosmetic registration law means that a similar act in Louisiana and a recently enacted measure in North Dakota are valid also. The industry has, however, averted legislation in California, Washington, Montana, New York, Tennessee, and Texas, though Maine-type bills still pend in Wisconsin, Pennsylvania, Illinois, and Florida.



SISTER SHIP TO "QUEEN MARY"—Rapidly taking form in the Glasgow shipyards is the second of Cunard White Star's new liners. Known as yet only as No. 552, the vessel will be commissioned for North Atlantic service next year.

Harris & Ewing

Germany Subsidizes Buna

Imposes on crude rubber a heavy import duty, whose proceeds will finance synthetic rubber production. Tax hits motorization program.

BERLIN (*Special Correspondence*)—The imposition of a 100% *ad valorem* import duty on crude rubber in order to raise 100,000,000 marks for the construction of synthetic rubber factories is one of the most far-reaching measures yet taken under Hitler's and Goering's second Four-Year Plan. While initiating an entirely new method for the creation of new synthetic industries, it does not shrink from taxing heavily Germany's huge motorization program (by increasing the prices of tires) at the very time when the developing of a motorized Germany has become one of the salient features of Nazi economic policy (*BW*—Nov 7 '36, p 43). The production of automobiles in Germany rose from 51,000 in 1932 to 293,000 in 1936.

Taken by Surprise

The German rubber industry was taken completely by surprise by the decree of May 12 instituting the import tax of nearly 23¢ a pound on imported rubber. Until then it had always been admitted duty free. Figured on the present Hamburg price of 126-127 marks for imported rubber (per 100 kilograms), this rate is almost exactly 100%. An official statement indicates that it is intended to put the new duty on a sliding scale basis in order to keep German rubber prices stable and independent of the fluctuations of the world market. In other words, should there be a further slump in world rubber prices, the new Ger-

man tariff rate will be raised further.

In 1936, Germany imported 82,700 tons of crude rubber valued at 66,000,000 marks. A year earlier, imports had totaled 73,600 tons worth—even at the much lower price—more than 45,000,000 marks.

Provided there is no marked decline in rubber imports during the current year, the new duty will yield 100,000,000 marks a year. In subsequent years, as mass production of synthetic rubber gets under way, this amount will rapidly decline. Nevertheless, the tax will probably yield about 200,000,000 marks during the next three years.

For Large-Scale Production

The government has announced that the entire proceeds of the new tax are earmarked for the financing of new plants for the production of Buna, the synthetic rubber developed by I. G. Farbenindustrie. The first step toward large-scale production of this new rubber was made two months ago when this concern announced the formation of the Buna Co., with capitalization of 30,000,000 marks, all of the shares being subscribed by the parent company. Buna production figures have never been released but it is generally believed that present experimental production has reached 300 tons a month and will reach 1,000 tons by the end of the year. German rubber consumption is about 6,500 tons a month.

How this heavy tax burden will be divided between consumers and rubber manufacturers depends on the extent to which the increase in the price of the raw material will be shifted on consumers in the shape of higher prices of the finished articles. With the present system of all-round governmental price-fixing, this decision is entirely in the hands of the government itself.

Not all of the 100% increase in the cost of the raw rubber will be passed along to the public. In the case of automobile tires, raw rubber is responsible for from 12% to 15% of the retail price. So, even if the raw material price doubles, the retail price need not be increased more than 15%, provided there is no increase in profits and dealers' rebates.

Buna costs are not revealed. In September 1936, the synthetic material was said to cost five times as much as the imported natural products. This differential has been reduced by advance of world rubber prices and by mass production of the synthetic product.

The motor industry is perturbed by



Wide World

JAPANESE ECONOMIC MISSION—Headed by Chokyuro Kadono (fifth from right), a group of prominent Japanese industrialists is making a five weeks' visit to the United States. On their arrival in New York last week, after visiting several cities on their way from San Francisco, they were welcomed by Eugene P. Thomas, president of the National Foreign Trade Council (center), and other members of the reception committee. Mr. Kadono, who is executive director of the Japan Economic Federation and president of the Chamber of Commerce and Industry of Japan, is said to have pronounced the tour "just a visit of courtesy," in return for the trip made two years ago to Japan by the American Economic Mission. However, the mission, which of course is unofficial, is talking over with American business men the problems of trade between the two countries, and among the topics mentioned for discussion are the possibility and conditions for a reciprocal American-Japanese trade agreement. The mission plans to visit Washington June 10. It will sail for Europe six days later.

the move. Following the 10% increase in the import duty on gasoline last December (in order to provide funds for the construction of Hitler's super automobile highways), the present much more drastic increase in the rubber import duty is a serious blow—particularly to Hitler's dream of a popular-priced car which would make Germany as much of a nation on wheels as the United States.

Rubber is not only one of the "strategic" raw materials imported by the Reich; it is one of the items which has bulked fairly large in the country's demands on foreign exchange. Imports of crude rubber into Germany in 1932 cost only a little more than \$4,700,000. By 1935, a slightly larger volume was costing the country more than \$10,550,000. British and Dutch interests have supplied most of the raw product. Germany, in recent years, has manufactured most of her own tires at home.

Business Abroad

Seven nations of northern Europe set pace in liberalizing foreign trade. All eyes are focused on London to see if Britain will fall into the program. Spanish crisis not expected to start international conflagration.

IN 1932, when the world business outlook was darkest, seven of the small but aggressive nations of northern Europe got together to see if they could do something by cooperative action to loosen trade barriers among themselves and, by using their collective bargaining strength, to carry the plan into their business with other nations.

Nothing tangible came out of that first meeting, but last week when these same seven nations got together they were able to carry through a trade liberalization program which, though not as broad as they might have liked to have made it, is an encouraging beginning to freer world trade. More important, it indicates that these seven nations, with a total population about one-quarter as large as the United States but with a very high standard of buying power, are not only ready to deal with the British Empire if it encourages a vast new international deal in world trade but are organized to encourage deals of their own with other powers.

Who's Who

The seven nations which have taken this aggressive action are Belgium, The Netherlands, Norway, Sweden, Denmark, Finland, and Luxembourg. Even when the far northern wastes of the Scandinavian countries are included they occupy an area no larger than twice the area of Texas, but they support a population of nearly 61,000,000. And The Netherlands is able to speak at any group meeting for its huge East Indian empire with its 60,000,000 people.

Two decisions were reached: (1) Each nation in the group will, effective July 1, abolish all export or import quotas on products moving trade with any other member of the group; and (2) no member will increase any tariffs on any product involved in this trade.

In previous meetings, various proposals were made to allow special trading concessions within the group, but Britain refused to permit any preferential action not shared with her, and since Britain is a major market for every member of the group, they did not dare to carry out their plan.

There is a small but influential group of leaders in London now which is waging a determined campaign against this stand of the British government, and it is entirely possible that during the present empire talks they will convince the leaders their plan is wiser. If they do, the group of seven may get together again soon.

It is significant that the United States has already made reciprocal trade agreements with four of the seven: Belgium, The Netherlands, Sweden, and Finland. All carry the most-favored-nation clause, but it is hinted that even Washington would make concessions in this respect if it could be proved that international trade would be furthered.

To the seven nations in the group, the United States last year exported nearly \$200,000,000 worth of goods. A group with that bargaining strength

working for freer trade can be an important ally in the Washington program to expand world trade.

What is happening in London remains pretty much a secret, as was expected. The imperial conference is making progress, but the developments affecting trade are being discussed quietly in small groups. Nothing tangible may appear as a result of these discussions before the conference closes, but the moves of the Dominion prime ministers when they leave London will indicate whether or not they have agreed to study the possibilities of an Anglo-American program of cooperation for reviving world trade.

What London Thinks

The London *Times* summarizes briefly the feeling in business circles regarding conference developments:

"Though all the Dominion governments are not necessarily so much interested in an Anglo-American trade treaty as is the Canadian government, it appears that they are all convinced that the time has come to take a bold initiative in the economic sphere with the aim of breaking the present political deadlock, and that, if an Anglo-American trade pact will contribute to that end, they will not refuse to contemplate the possibility of making an economic sacrifice for political reasons. Well-informed observers throughout the Dominions are beginning to realize that the United Kingdom market alone will not, in the long run, offer them an adequate outlet for a growing output of commodities. They must therefore find new markets outside the United Kingdom.

"When the Ottawa agreements were signed, the most important thing then appeared to be to retain as great an interest as possible in the United Kingdom market. Now that the circle of prosperity is widening, other prospective buyers are beginning to appear on the horizon, and hopes of expansion are rising.

"These other buyers are to be found chiefly in Europe, but they will remain prospective so long as present political and economic uncertainties continue to delay a healthy and all-round revival of trade. That is the reason why the Australian and South African prime ministers are taking an obviously greater interest in European affairs and in the problem of 'economic appeasement.'

"Viewed from this angle an Anglo-American trade treaty may prove to be the corner-stone in the restored structure of European cooperation, thereby making possible further economic progress and an expansion of the European demand for overseas produce."

A new Franco-German trade agreement, considerably broadening the present basis for handling trade between these two countries, is likely to be signed within the next three weeks. The details have been worked out in Paris conversations between Dr. Schacht and French officials. No world economic conference is necessary to piece together these bi-lateral agreements. More is often accomplished when schemes are worked out first on a two-country basis, with the whole program tied together through the guidance of some major power or powers. The world now waits to see if the British Empire will cooperate with Washington in such a scheme.



JAPANESE HOLLYWOOD—In a drive to popularize Nipponese movies for export, one of the leading Japanese producing companies has established a training school for actors. Here is a class in make-up, with the would-be stars kneeling on mats in good oriental style.

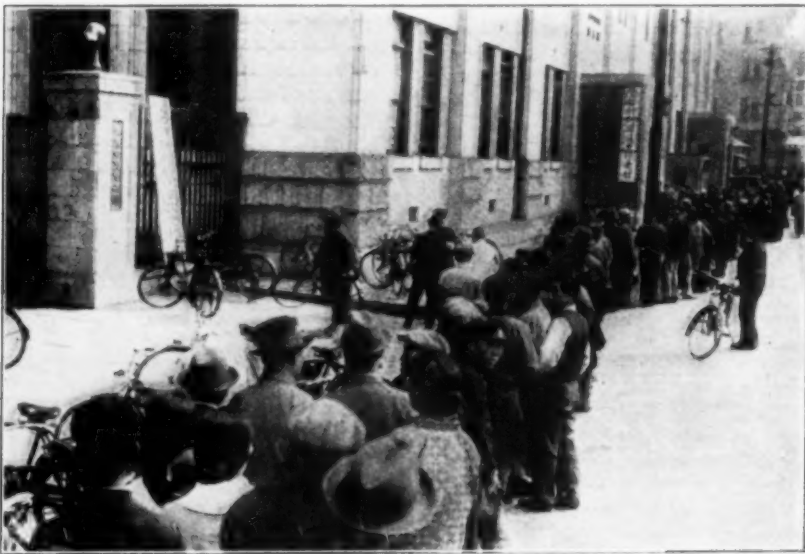
Great Britain

Markets soar on withdrawal of profits tax. Actions by totalitarian states discounted.

LONDON (Cable) — Surprise of the week was the withdrawal of the bitterly contested National Defense Contribution (page 14), the growth of profits tax which Neville Chamberlain had devised when he was still chancellor of the exchequer but was unable to force past the Opposition when he became Prime Minister. Markets reacted sharply upward immediately the news was out, though a substitute tax to raise at least \$125,000,000 in revenue from industrial profits is promised.

The market flurry due to the Spanish affair has already disappeared. There have been too many grave situations in the last two years for this one to frighten the market the way it would had it been the first.

One anxious feature of the present situation is not the actual incident, but the virtual collapse of the non-intervention scheme may revive German and Italian support for Franco and intensify Left wing pressure on the Blum government in France to support the Spanish government. It is certain the British government will continue to strive to prevent widening of the breach.



BREADLINE NOTHING! IT'S A PHONEY—This isn't a relief line—just residents of Tokyo trying to buy a telephone. This is an annual scene in the Japanese capital as residents and merchants apply for telephone service from the government. Sometimes an applicant must wait years. This year more than 750,000 applied, only 55,000 telephones were issued. A successful applicant has to pay \$300.

Germany

No crisis is expected over Spanish developments. Germany accumulates gold.

BERLIN (Cable)—Germans spent a worried weekend following news developments in Spain, but it is confidently believed in influential circles here that the Spanish affair is not going to lead to any general conflagration. Germany is anxious to avoid further complications, and is inclined to consider the matter closed.

The Berlin Bourse reflected the trend of public reaction. After slumping seriously on Monday, it rallied on Tuesday on the more optimistic appraisal of the situation. Later developments warranted this attitude.

The short-range outlook is distinctly hopeful this week, but the withdrawal of Germany and Italy from the international non-intervention committee in relation to Spain has precipitated a new group of long-range dangers. In connection with Blomberg's long contemplated visit to Rome, this fresh cleavage of Europe into two camps can develop into something serious.

Germany has been persistently more optimistic over the world foreign trade outlook than many other nations. When the government statistical bureau released its estimates for world trade for the first quarter of 1937, it showed a general gain of 20%. German machinery exports for the first quarters made a particularly good showing with a gain of 31% over 1936, and 70% in comparison with the same period in 1935.

When April foreign trade figures were added, it was discovered that German imports of gold—a feature of the first three months—had slackened, but that the total net imports of gold so far this year amounted to 106,000,000 marks, which would be worth more than \$62,000,000 at the official rate of exchange. This is more than twice the official listed gold holdings of the Reichsbank.

France

Paris expects no trouble over Spain; foresees closer cooperation with Reich.

PARIS (Wireless)—While France was alarmed for a time over the possible serious repercussions from the bombardment of the German battleship along the Spanish coast, it is believed now in Paris that the incident is practically settled. It is explained by some as a Soviet maneuver to prevent a German-British rapprochement which has seemed a distinct possibility following the cordial talks between diplomats

Carey Elastite

INDUSTRIAL FLOORING

Stands Heavy Loads—Long Wear—Floods



(Above) Winton Place Car Shops covered with water in January, 1937.

(Below) Carey Elastite after nine years of use, and recession of flood waters.



The Winton Place car shops of The Cincinnati Street Railway Co. were floored with Carey Elastite 9 years ago. Subjected to heavy loads and punishing service, this flooring shows no signs of wear.

Covered with 7 3/4 ft. of water in the recent Ohio River flood, it did not warp, swell, buckle or shrink. So satisfactory has Carey Elastite proved, the Company has ordered it to replace other floors made useless by the same flood water.

Carey Elastite Industrial Flooring is tough, resilient, silent, non-skid, highly resistant to rough usage. It is vermin and termite proof, sanitary, economical. Quickly applied by common labor; easily repaired, if damaged. Write for specifications and full details.

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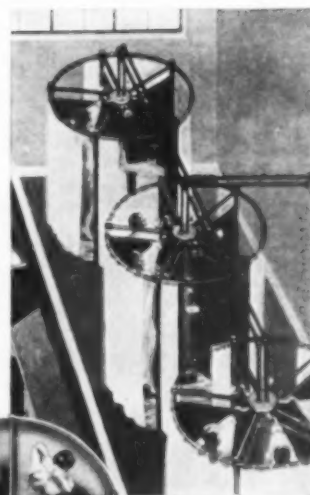
• A refreshing shower is a fine stimulant,—and many industrial plants have found that the installation of shower bath facilities is a paying investment.

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Money is saved on water and the heating of water,—and each person has safe control of the water coming from the sprayhead.

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during the coronation in London, and Dr. Schacht's very cordial visit to Paris to dedicate the German hall at the exposition. Following this meeting of important French and German officials, relations between the two countries have improved, and it is expected that a new trade pact will soon be negotiated, probably in the next three weeks.

April tax receipts are disappointing, but this is blamed on the generalization of the 40-hour week in all trades, as well as on the usual seasonal decline in activity. Tourists are already beginning to arrive in Paris.

Labor Costs Are Up

France is preparing to enter the North Atlantic air service. The government has announced the formation of Air France Trans-Atlantique, with a capital of 14,000,000 francs.

Last week's elections in Holland were a victory for the government and a distinct defeat for the Nazi candidates, somewhat parallel to the outcome of the Belgian elections a few months ago. Aside from the Spanish-German crisis of last week, this outcome in Holland is in line with the majority of developments indicating a triumph for the moderates in many parts of Europe.

The much-discussed rapprochement between Germany and the Soviet Union will be delayed by such developments as the Spanish affair, for which Moscow is blamed by many. There is no doubt that in a certain number of

circles, particularly among military officials, in Germany there is a desire for closer cooperation with Russia. But Hitler, and particularly the Left wing of the Nazis, are definitely opposed to any kind of understanding with the Communists. On the other hand, there is no doubt that Great Britain and France would be pleased to see Germany participate in the Franco-Russian non-aggression pact, a thing which would considerably simplify the European situation. The move, however, appears this week to be extremely improbable, at least in the near future.

It is entirely possible, however, that Germany will be able to secure credits before the end of the year, and that this will be part of a trade expansion deal which will keep Germany from too close ties with Rome.

Canada

Ottawa expects trade victory at London conference. Wheat control will end in July. Alberta defaults.

OTTAWA—Should the Empire conference in London conclude by the middle of this month without definite pronouncements on British-American trade treaty proposals, it need not mean that the conference has been abortive. It is recognized here, as well as in London and Washington, that there are difficult points in connection with the British-American proposals which cannot be ironed out in a few weeks.

London cables indicate that most of the important discussions are taking place privately among the heads of the Empire delegations. It is by such discussions that Prime Minister Mackenzie King has been making his efforts for fruition of the British-American proposals. And news from London suggests that the efforts have not been futile. Australia now appears to be strongly supporting the view that any immediate intra-empire sacrifices involved would be more than compensated for in general betterment of world economy and improvement of the international political situation through British-American cooperation.

General aspects of the matter having been advanced in these private and informal talks, the position now appears to be that the new British Prime Minister is able to take up definitely questions of an Anglo-American trade pact and that where these questions impinge on the interests of other Empire countries he will submit them to each unit for its reactions.

By July 31, Canada will have seen the end of a 9-year struggle with the problem of wheat surpluses, and the situation is passing practically unnoticed. Chairman James R. Murray

Newsprint Flash

OTTAWA—There was a rumor here early this week that the price of newsprint for the last half of 1938 would be fixed at once at \$55 a ton. This would follow the \$7.50 price advance (to \$50) made early in April on contracts for the first half of 1938. Producers are divided: some fear that an advance even to \$55 will speed the production of newsprint from southern pine in the United States; others favor a price advance to \$60. It seems likely now that no move will be made immediately.

Latest development in the Dominion paper situation is the advance in fine paper prices announced this week. On bond and book paper, a price increase of \$7 a ton was announced; on writing and text papers, \$10. This is effective as of June 1. This advance, following similar boosts in December and March, brings the general price level on fine papers about 8% above the level a year ago. Increased labor costs and higher sulphite prices are given as reasons.



MAY FLOAT WITH HELIUM—Work on the new Zeppelin, the LZ 130, is being pushed to completion. This week Dr. Hugo Eckener sailed from New York to inspect the new ship at the Friedrichshafen plant, after having been favorably heard by American Congressional leaders in his plea that the U.S. release helium to Germany for commercial purposes.

of the Canadian grain board states definitely that by the end of the present crop year, there will be nothing left of the carryover. All stocks of wheat held by the board will be out of its hands. From Dec. 2, 1935, when the present wheat board took over from the former wheat stabilization authority, 343,000,000 bushels will have been disposed of. Total Canadian wheat in storage on May 21 was 60,000,000 bushels compared with 174,000,000 a year ago.

A government commission is investigating the whole wheat question. To this commission, Chairman Murray stated at Regina last week what he did not think there was any need for continuance of the wheat board method of controlling marketing. He definitely favored the open market, but suggested government supervision of the futures market. He saw no way by which a wheat board could prevent depression of the market by bear traders.

Report of the investigation commission this fall will determine whether Canada will return to the open market method of selling its wheat. If it does, the cooperative pools probably will return to the picture.

Alberta Defaults

For the third time in 14 months, the province of Alberta has defaulted a bond maturity, the amount being \$1,650,000. Two defaults in 1936 totaled \$4,450,000. The Bank of Canada and the Dominion government refused a loan for meeting the bonds. Members of the provincial government are discussing the possibility of a refunding operation to cover defaults.

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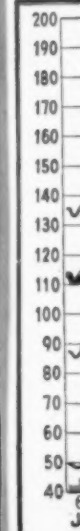
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Money and the Markets

After sinking on war news, securities markets drift sluggishly. Head of Bank of Netherlands proposes international control of gold production, but Britain says no. Good weather weakens commodities.

LABOR strife, European war scares, and the gold golliwobbles beset the securities markets this week. Yet even on Tuesday, when the full impact of these forces was felt, there was less of real weakness in stocks than there was of out-and-out apathy. Trading is down to the rate normally associated with the midsummer dog days and price swings are contradictory; sellers are few and buyers, if anything, are even fewer.

After the long holiday, markets here took their cue from Europe where the exchanges had been open on Monday. And Europe started the week with a horrible case of jitters over the Spanish crisis. By midday on Tuesday, however, the markets abroad had regained a degree of composure. Subsequently there was the brisk rally in London as the British government dropped its growth-of-profits tax proposals.

London the Leader

In all these erratic swings New York was disposed to take its lead from London. There was a tendency to clutch at this or that (and the gold mess was popular because of its imponderability) to explain market movements.

Yet it probably would have been just as logical to expect stocks to break, if you're bearish, or to spurt, if you're bullish, on the news of Dizzy Dean's suspension by the National League as it was to try to trace all the swings in prices directly to gold. Nobody has figured out anything practicable to do about gold; this week's debate added only one significant contribution.

This was the statement of Dr. L. J.

In Again, Out Again

Associated Gas & Electric, a couple of months ago, sought to register \$10,000,000 of debentures with the Securities and Exchange Commission, though it had failed to register under the Public Utility Act of 1935. It contended the law was unconstitutional; hence it didn't need to sign up in order to issue securities (BW—April 10 '37, p69).

Maybe it was an effort to put the SEC on the spot in its dual rôle as administrator of both the utility and the securities laws; maybe it was all in good faith. And maybe the SEC put its foot down, and maybe it didn't. Anyhow, Associated Gas this week asked permission to withdraw the application, saying that the audits submitted are now out of date. Whether an unregistered holding company may sell securities, whether underwriters would handle them, and whether the public would buy, remain unanswered questions.

A. Trip in his official capacity as president of the Bank of the Netherlands. He proposed an international cartel to control production of the yellow metal.

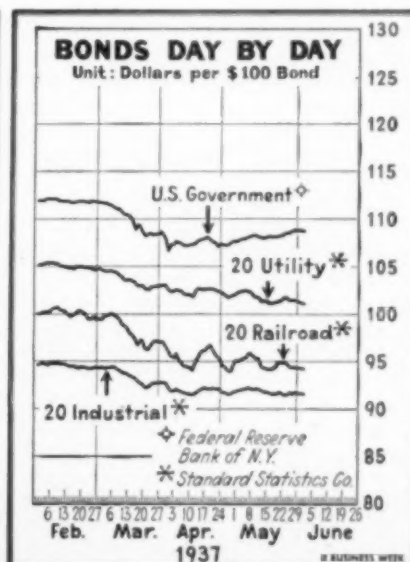
The idea isn't entirely new and it probably didn't originate with the eminent Hollander. Yet, coming from the chief of one of the big central banks of Europe, from the man who, until recently, headed the World Bank, it carried much more weight than it has as gossip in the newspapers.

Dr. Trip's comments on gold were in the Bank of the Netherlands' annual report. (They were much more specific than those over his name in the annual report of the World Bank.) He urged control of gold production to conform to the monetary needs of the world. He derided the idea of tampering further with the price of the metal, his theory being that this would make gold's price the permanent regulator of economic and financial affairs.

The Netherlands bank chief also opposed coinage of gold and its circulation without international currency stabilization. He said, too, that credit control and sterilization will fail in the long run if the enormous production is not curtailed by world agreement.

The same day that Dr. Trip came out for production control, Britain's new chancellor of the exchequer, Sir John Simon, told the House of Commons that no such plan is acceptable.

War scares are news that can be more readily interpreted. They helped commodities early this week. However, by midweek, grain markets were reacting to weather and not to European politics. Private crop predictions, which were being pared sharply on drought news a fortnight ago, have gone back up to their levels of a month ago as a result of recent heavy rains. Even the Dust Bowl got rain, although it was too late in many places. The spring wheat crop is looking better—may run more than double last year's. Corn weather is excellent. So markets strong two weeks ago are down again.



Wall Street Laughs

Bawl Street Journal appears.
Plays up local financial houses
and individuals.

BLAZONING the headline, "New Court Approves 4th Term, 41 to 9," *The Bawl Street Journal*, satirical publication of the Bond Club of New York, made its annual appearance this week in the same old guise but with a new intonation.

Hitherto extremely careful of squeamish sensibilities, the *Journal* now has a "color" story or advertisement here and there. In addition, local financial houses and individuals are played up. In the past, the editorial intention was to make the publication general and national in scope.

But though the type of treatment is changed, the humor is still as blood-thirsty and belly-laugh-provoking as ever. There is a take-off on the Old Gold puzzle contest, and a parody of Golden Shell advertising, in which the qualities of a rattlesnake and a skunk are combined to produce a gasoline that "smells like hell."

Stock Exchange members go on a sit-down strike for regulation, the country banker comes back to buy foreign bonds, and Kuhn, Loeb & Co. arranges financing for a strip tease mill. Many of the jokes are purely Wall St.—that is, the uninitiated may not "get" them. But it would be hard to miss the humor in the cartoon showing pickets in front of Lehman Bros. with a sign: "Lehman Brothers are unfair to Goldman, Sachs."

The paper has been cut down to eight pages. It was 10 last year. Members of the Bond Club, unlike the philosopher in James Stephens' "Crock of Gold," felt that you could have "too much of a good thing." Too much laughter kept them from tending to business after the issue appeared. The emphasis was on shorts, such as:

Sears, Roebuck prints catalogue on sandpaper; Sen. Ashurst proposes that "hot money" be put in closed banks to thaw out "frozen assets"; Margaret Sanger elected a director of the Heir Reduction Company.

Editor of the *Bawl Street Journal* is John A. Straley; George J. Gillies is chairman of the Publications Committee.

Steam for Sale—Rarely does the public come into contact with the fact that big companies are organized to supply steam to buildings for heating, power, cooking, etc. Probably few residents think very often of the fact that the streets of Manhattan Island from the Battery to 92nd St. cover miles of mains through which the New York Steam Corp. supplies some 2,500 buildings with more than 10 billion lb. of steam each year.



BANKERS' PRESIDENT—The New York State Bankers Association climaxed its Memorial Day week-end convention cruise to Bermuda on the liner *Washington* by electing Frank K. Houston, head of the Chemical Bank & Trust Co., New York City, as president. Mr. Houston 30 years ago came out of college into banking as secretary of the Tennessee association. He migrated to St. Louis and, in 1920, to New York as Chemical's vice-president.

Yet the fact that this business is still being done, and done at none too handsome a profit, was headlined on the financial pages this week when dividends on the corporation's preferred stocks were passed and these issues dropped 10 points or so to around \$90 a share. The discontinuance of preferred dividends follows a declining profit trend apparent since 1930.

Earnings have not been proportionate to sales. There has been a moderate variation in sales of steam in the last half dozen years but earnings have been reduced by rising costs. Taxes have been a conspicuous item, rising from \$867,835 in 1931 to an estimated \$1,490,000 this year. David C. Johnson, president of New York Steam, notes that dividends on the two preferred issues were earned by relatively narrow margins in 1935 and 1936 and that "for the 12 months ended Apr. 30 such dividends were \$402,357 in excess of net income for the period."

Meanwhile, Consolidated Edison of New York, which controls the steam company, is seeking to consolidate it with the utility system for operating economy, for savings through refinancing, and for greater ease in raising money for expansion. From Apr. 16 to May 10 this year, Edison bought 80,498 common shares (12,374 in the open market) at an average price of

\$32.21 a share, increasing its holding to 96.14%. Edison now proposes to offer its 5% preferred for New York Steam's preferred—one share of Edison plus \$10 for each \$7 New York Steam share and on a straight share-for-share basis for New York Steam \$6 preferred. Passage of dividends may expedite the exchange.

Van Sweringen Hangover—The latest complication to arise in the railroad tangle which survives the Van Sweringen brothers is the inability of the New York, Susquehanna & Western Railroad to secure assent of bondholders to extension of maturing issues. The result was this week's petition for reorganization.

This particular difficulty, however, cannot be blamed on the "Vans." The Erie controlled the Susquehanna before the hectic consolidation days of the late 20's and it is the Susquehanna which provides the Erie with a connection to its Jersey City terminal. Hence the smaller road, with only a little over 220 miles of track and but two locomotives, is vital to the Erie, Chesapeake & Ohio, and Nickel Plate.

This importance prompted the Erie to try to avert reorganization of the Susquehanna. While the road was attempting to get bondholder consents to an extension of maturities, the Erie guaranteed interim interest payments. But, when it developed after two extensions of the time for assents that hardly 60% of the holders of the 5s, which fell due last Jan. 31, were going to agree, reorganization became about the only recourse. That's just another headache for the new owners of the Van Sweringen rail empire—the Messrs. Young, Kolbe and Kirby.

The New York, Susquehanna & Western has fallen substantially short of covering its fixed charges in each of the last half dozen years. The net operating loss last year was over \$400,000 and the year before it was nearly \$380,000. When the road applied for reorganization it told the court it had non-negotiable indebtedness of \$6,402,825, including current liabilities of \$1,969,714, and that current assets totaled only \$802,974.

ICC merger plans of eight and ten years ago allotted the Susquehanna to the Erie and the Erie, in turn, to the C. & O. and Nickel Plate system.

Public Funds—State and local governments have been irked for a long time now by the national banking legislation which prevents payment of interest on public funds by members of the Federal Reserve and the Federal Deposit Insurance Corp. As a rule local laws specify that public funds be placed in banks at interest of not less than so and so much—interest must be re-

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ceived or the funds are forced to lie idle in state and municipal coffers.

Banks, too, have been upset over the situation in some cases. There have been a few mutual efforts to get around the federal prohibition.

Most novel attempt is that which is reported to have been devised by banks in Iowa and which has been enacted by the state legislature. Banks are required to pay annual assessments on public funds, the assessments to accrue to the depositor. These assessments, which would pile up at from a minimum of 1% to a maximum of 2% per annum, would be based on 90% of the daily balance of funds in the depositories. The idea is that the "reserve fund" thus raised would run from \$250,000 to \$500,000 a year; when it hits the top figure "assessments" cease.

Meticulously, though, the Iowa law agrees with federal banking precepts. In no case are banks allowed to pay interest, either directly or indirectly, on public funds. Yet, with apparent fear of legal attack, the legislature included a clause saying that, in case a portion of the new law is declared invalid by the courts, the other sections shall nevertheless stand up.

Utility Case Delayed—Carrying important and complicated cases up to the United States Supreme Court is a slow, tedious task at best. In the instance of the Public Utility Act of 1935, it seems that it has been more than ordinarily difficult.

The latest effort to secure speed, in the Electric Bond & Share test case, was the plea of counsel for both the company and for the Securities and Exchange Commission that the high court allow them to jump the Circuit Court of Appeals on the way up. (The Supreme Court sometimes allows litigants to by-pass the Circuit Court if the parties to the suit agree that they want speed.) This time, however, the high court held that the case should come up by the customary process, without jumping any steps.

Government officials professed to be disappointed by the failure to get expedited action; the utility industry most certainly is disappointed that constitutionality of the law hasn't been settled long since. The courts have been cluttered with holding company law litigation for 18 months now and it seems certain that the Bond & Share test won't be settled for at least a year in the light of this latest decision.

It is never any better than a guess when someone undertakes to figure out what's on the minds of the Supreme Court justices. Nevertheless, it looks like a fair bet that the court would just as lief dodge this decision as long as it can. It had a previous crack at it—in the American States Public Service case—last year and sidestepped.

That previous suit resulted in the U. S. District Court's "unconstitutional in its entirety" verdict late in 1935. The Circuit Court contended in that case that American States was an intra-state concern, hence the law wasn't applicable and there was no ground for taking up the constitutionality. This latter view was shared by the Supreme Court which, in a decision rendered a little over a year ago, declined to entertain an appeal (*BW*—April 36, p9).

Flourishing Fertilizer—Estimates of this year's fertilizer sales are being revised upward; there are some hopes that 1930's record of 8,163,000 tons will be topped. Meanwhile, destructive price competition has disappeared and profit predictions for some time have been fairly optimistic.

Thus it is no surprise to hear that two companies, International Agricultural Corp. and Virginia Carolina Chemical Corp., have voted dividends on their preferred stocks after lapses of several years. International is to pay \$3 on the prior preferred, the first distribution since 1931. Virginia-Carolina voted \$1.50 a share on the \$6 participating preferred stock, the first payment since 1929.

Rising farm income and federal inducements to soil improvement are probably the biggest factors in the gain

in fertilizer sales. Coincident to another big jag of AAA benefit payments, fertilizer tax tag sales in April were 1,426,221 tons, the largest ever recorded in that month excepting in 1930. For the first ten months of the fertilizer year—July through April—1936-37 sales were 5,458,966 tons compared with 4,165,680 in the same months of the previous season and 3,920,684 for the 1934-35 period.

When it comes to improvement in profits, however, the termination of price wars probably plays a more important part than increased volume. Where shading and slashing marked the years before and after NRA, mark-ups have been the order of the day through most of this season. For next season still higher prices are in the making because quotations on such basic ingredients as potash have already been raised, effective next month.

Sign of the Times—Back in the boom days of the 20's it was quite the thing for commodity markets to undertake trading in stocks, particularly if inactivity happened to prevail in their own specialties. The trouble was that these stock markets for the most part had barely been launched when the crash caught them.

Along these general lines was the experience of the New York Produce

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Sightseeing WITH BAKELITE*

Building Industry

Continued from page 37



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Exchange, which discontinued stock trading back in the depths of the depression. However, with the revival in securities trading in the last couple of years, the Produce Exchange has toyed with the idea of trying it again.

This is confirmed in the annual report of John McD. Murray, president, which notes that a special committee has been "appointed to look into the question and to make arrangements for filing an application for registration as a national securities exchange."

The exchange is also actively at work on plans for a market in pepper futures (BW—May 1'37, p58), will soon launch trading in linseed oil futures.

Unclassified Loans—The Federal Reserve's effort to segregate loans according to the use the borrower puts them to falls somewhat short of perfection, as all such statistical refinements are bound to do—in the very nature of statistics. Just as men cannot be aptly pigeon-holed as to occupation (there are always fine borderline jobs), so money cannot be catalogued neatly as to its employment.

About \$1,500,000,000 of loans of weekly reporting member banks are still begging for a category. That is out of a total of \$9,500,000,000. In other words, about 16% of the lent dollars are unclassified dollars. And breaking that unclassified column down as best it can, the Federal Reserve obtains an approximate half-and-half division into loans "on securities" and loans "otherwise secured and unsecured."

These borrowings are most emphatically not for general business purposes. If they were, they would fit into the Federal Reserve categories of commercial, industrial, or agricultural loans, or as loans for carrying or purchasing securities, or as real estate advances. So the question still is open: What was a billion and a half dollars used for?

And there is not much choice in answering: either (1) personal loans; (2) quasi-commercial loans; (3) loans for purposes unknown to the lending banks.

Those Orphan Dollars—The unsecured small loan, extended primarily on the personal credit or earning power of the borrower, has won an important place in the N.B.P.—new banking policy. Bankers have become much more attuned to the needs of the public, are putting themselves out to get new business, are finding the personal loan a means of earning interest on rather substantial sums of money.

The National City Bank of New York probably has outstanding some \$60,000,000 in personal loans, although the figure is never revealed. Other banks throughout the country,

though individually they cannot touch that total, in aggregate probably exceed it many times. Perhaps, later on, when the Federal Reserve wants more light on where bank money is going, it will call upon member banks to report specifically on their personal loans. Until then, the amounts must be a matter of conjecture.

But it seems safe to assume that the personal loan total runs into several hundred millions. How else can the \$700,000,000-odd of "loans otherwise secured and unsecured" be accounted for—except to assign a large proportion to the "personal" classification? True, that \$700,000,000 might also include business or agricultural loans, the nature of which the banker is not entirely certain of, but it is hardly likely that banks would be unaware of the purpose of the borrowers in a large proportion of that \$700,000,000. It is the banker's business to know what a borrower does with the bank's money, when said money is not secured by collateral or is not for regular business operations.

As for the \$700,000,000 of loans secured by collateral, but still not classified, the omission is readily understandable. Banks are not likely to be overly inquisitive about the purpose of a loan to a customer who is able to provide adequate security.

Banking Normalcy—For 15 years prior to 1933 it was the normal thing for bank deposits to decline in the spring—to be smaller on Mar. 31 than on the preceding Dec. 31. Then came the period of decided abnormality in the banking world. Government borrowing started to pad deposits; the flow of foreign gold to these shores soon added sharp impetus to the trend. And bank deposits in ensuing years went up steadily, step by step, with every quarterly report.

But, as frequently noted in these columns, Washington has taken several deflationary actions in recent months—gold has been sterilized and deposit reserves marked up 100%, to name two. Furthermore, government borrowing has been diminishing.

Thus it probably should be no surprise to read Comptroller J. F. T. O'Connor's report that the 5,311 active national banks on Mar. 31, 1937, had 3.96% less on deposit than at the end of 1936. The Mar. 31 deposit figure was \$26,515,110,000 compared with \$27,608,397,000 three months earlier. Nevertheless, the latest report shows the largest deposits ever recorded in the history of our banking system with the exception of Dec. 31, 1936.

Wherefore it might be said that banking is reacting somewhat more normally these days. However, it would be hard to find a banker who believes things are back on the old time basis.

Editorially Speaking—

FOR an example of what the grammarians call circular definition, see Sen. Copeland's bill to establish a Bureau of Coordination of Milk and Milk Products Regulation. "The term 'milk,'" says the bill, "means the lacteal secretion obtained by the milking of one or more healthy cows." Milk is what you get by milking, and milking is what you do to get milk.

THE boom in goat's milk is making itself felt in this office. You may have read that Mrs. Channing W. Gilson, a leading New Jersey clubwoman, is trying to make her state goat-conscious. She herself keeps six Toggenburg goats and says they're so dainty they won't eat food dropped on the floor of their barn. Juan Ceballos, a New York stock broker, keeps 100 Saanen goats on his estate and sells their milk for 30¢ a pint—or a goat quart, as he calls it. One of his customers is Mrs. Myron C. Taylor, who drinks goat's milk every day. And now the Gentleman on the Fiscal Desk is planning to keep goats and eliminate cow's milk from his domestic menu.

His wife is against the idea, because she was given goat's milk as a child and detested it. But her husband stands firm. "I am a plain man," he says. "I have no haughty notions about myself or my family. So I say that what's good enough for Myron Taylor's wife is good enough for my wife."

DR. John W. Williams of Cambridge, Mass., recently told the American College of Physicians that women are sick one and a half times as often as men but live a little longer than men do, and he thinks the reason is that women's tissues are more resilient and therefore repair more easily. We wonder if the true explanation is merely physical. Doctors have been learning a little about the influence of the mind on the body. We suspect that women live longer because they're more determined not to die. Women are tougher than men, especially when on the defensive. They're tenacious. When they've got something, they're a little more determined than men not to give up.

ONE of the stories that reached the news desk a few days ago from the *Business Week* correspondent in a distant city was accompanied by a note from its writer. "I had just started writing this story," he explained, "when my wife came home with a banged-up car as a result of being struck amidships by a six-ton sand truck. She was badly bruised but no serious injury; her nerves are quite upset. The side of my new car is a mess. Well, the rest of

the story was written between telephone calls from a hundred friends, from insurance adjusters, the doctor, and, to cap the climax, some research outfit called to ask what radio program I was listening to." We'll bite. What radio program were you listening to?

HAVING produced "The Thin Man" and "After the Thin Man," the movies are now preparing "The Return of the Thin Man." This will be as neat a trick as Hollywood ever pulled. Of course William Powell will return, and the movie audiences will be satisfied with him, because to them the Thin Man is Powell—or the detective he plays, Nick Charles. They've forgotten that the Thin Man isn't Powell. He's Wynant, the eccentric inventor who appears for a few minutes at the beginning of the original picture; and in the book that Dashiell Hammett wrote, the Thin Man never appeared at all—for the simple reason that at the end of the book (and of the movie) it's revealed that he's been dead several months. Not only dead, but cut up and reduced to a jumble of dismembered bones.

It will be interesting to see how these bones are reassembled and Wynant is brought back alive. Also what atonement Hollywood makes for letting Nick Charles send Wynant's lawyer to the chair for the murder of a man who reappears alive in the new picture. And if Wynant doesn't reappear, you may see the Return of William Powell but where's the Thin Man?

CASUAL paragraph in a letter from a friend: "Did you know that I have one uncle—my only one—who has lived all his life in Green County, Indiana, and has taken some part in politics and once even served as sheriff? The sheriff's job was not so good, all those years ago. His wife ran the kitchen in the county jail, which had to be maintained out of the sheriff's salary, and set so good a table that the institution became famous and popular through all the counties round. Miscreants sought to get into it, and to be transferred to it; and the jail became so heavy a burden that Sheriff Wines finished his four-year term heavily in the red. Now my uncle and all his clan remain the only Republicans in the township, and practically the only inhabitants not on relief."

ACCORDING to the *NBC Trade News Service*, "television, one of the most complicated of modern sciences, can be easily understood by laymen if it is regarded as combining the principles of movies and radiofacsimile pictures." Get that? All right; now you understand television.



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BUSINESS WEEK

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JUNE 5, 1937

This Job Is Too Big

If the new Blue Eagle bill passes in anything like its present form, the omnipotent board established by it should take a year off to study its provisions. It should then devote further time—at least five years—to studying the industrial complexities which the bill attempts to deal with. Having thus prepared itself, the board, if honest, will make a report to Congress: "This job is too big for any one board."

The bill is an omnibus bill and it sets up an omnibus board to govern wage-and-hour conditions in every business that has the faintest smell of interstate commerce. Quite likely the bill will be modified in a few important respects before Congress gets through with it; but mere modification will not take the mischief out of this bill, or make it Constitutional. Plainly it is as unconstitutional as the old Blue Eagle was. It brazenly challenges the unanimous decision of the Supreme Court in the NRA case. The court has lately changed its mind on some points, but if it accepts a law of this kind it will be eating crow, indeed.

Who can justly and practically fix a working week and a minimum wage for nearly every business in every corner of the country, and for all kinds of workers? The task is impossible. If such matters are to be regulated, they must be taken in hand by state and local authorities. But centralized regulation is demanded by the White House. Congress is therefore urged to throw up its hands and pass the buck to a board, after going through the forms of specifying general wage-and-hour standards, subject to practically any exception the board may allow.

There will be exceptions for regions and sub-regions, for industries and sub-industries, for rush seasons, for incompetent groups of workers, and for incompetent members of competent groups. There will be exceptions for the crippled, for the clumsy, for all the marginal workers who cannot be kept on the payroll at the minimum wage to be prescribed in the act. And one board—five men—must make these exceptions for the whole enormous area of the United States. The board will be head over heels in work. It will try to act slowly, taking one important industry at a time, but it will be pushed

and prodded, it will be yelled at by everyone who wants Heaven in a hurry, and despite itself it will be forced to issue decrees without proper consideration, granting exemptions to one industry and denying them to another even more worthy, and thus the confusion of NRA in its last months may be repeated.

All employers except those whose business is unmistakably local will have to bear a higher labor cost. Federal price-fixing may come next. Who is to fix the prices? One board, the same board, the same five men? Or another federal board, to fix prices in all industries? Surely it is impossible to regulate all industries in this centralized, uniform way. If the labor standards of a small minority of employers are so low as to excuse federal regulation, the experiment should be tried in one industry at a time. That would be an ample task for any one board. To bring all industry under the claws of the new Blue Eagle is to make the old NRA mistake all over again.

Business Effects of The Two-Day Week-End

The time has come when those who are footfree and solvent pack their baggage and climb into their cars or catch a train, a boat, a bus, or a plane. The present travel season is expected to be the greatest on record. More than ever before, travel has become a big business.

For the increase in long or short journeys, the automobile is mainly responsible. But there is one kind of travel that has grown remarkably in the past few years, and is just now receiving further stimulation. We mean the week-end journey. Railroads are busily promoting it, with bicycle and fold-boat excursions. America has become a five-day country. Anybody of middle age can re-

member when six full days was the common working-week. The Saturday half-holiday became prevalent a generation ago. NRA brought a five-day week to the masses, and it is clear that new labor legislation, whatever its other effects may be, will make the five-day week permanent. The two-day week-end is here to stay. Henceforward the people will buy more transportation and recreation. That is an important economic change.

Making Gifts To Borrowers

Nothing is so noble as giving away millions of the government's money. Sen. Copeland of New York has introduced a bill that would cost the government \$65,000,000 in the first year, and half a billion all told.

What the senator proposes is a temporary moratorium on foreclosures by the Home Owners' Loan Corp., to be followed by an extension of the mortgage term from 15 years to 30, and an interest cut from 5% to 2½%. The HOLC took on a multitude of distress risks to start with, and it has treated them with great leniency. But naturally there have been some foreclosures. Now comes the Copeland bill, which has encouraged some borrowers to withhold payment, though they are perfectly able to pay. And meanwhile professional organizers, cooperating with the senator, are feathering their own nests by promoting an anti-foreclosure campaign.

When the government gets into the lending business, it is usually left holding the bag. In the 20's the Federal Land Banks made innumerable loans on marginal lands, shoveling out much more than any sensible banker would have done, and many farmers borrowed with no intention of repaying the money, which was often more than the land would sell for. HOLC has been better administered, but by the very terms of its creation it has had to take bad risks. So foreclosures are unavoidable, unless loans are to be changed to gifts. But if there must be gifts for people in distress, let them come from relief and Social Security funds. The government should not confuse a banking problem with charity.

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